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CONSEQUENCES OF CHINESE AID IN SUB-SAHARAN AFRICA

by

Philip R. Sauls
Neal D. Heaton

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Thesis Advisor:
Co-Advisor:
Second Reader:

Glenn E. Robinson
Jessica Piombo
T. Camber Warren

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CONSEQUENCES OF CHINESE AID IN SUB-SAHARAN AFRICA

Phillip R. Sauls
Major, United States Army
B.S., Virginia Military Institute, 2005

Neal D. Heaton
Lieutenant Commander, United States Navy
B.S., United States Naval Academy, 2003

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requirements for the degree of

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December 2016**

Approved by: Glenn E. Robinson, Ph.D.
Thesis Advisor

Jessica Piombo, Ph.D.
Co-Advisor

T. Camber Warren, Ph.D.
Second Reader

John Arquilla, Ph.D.
Chair, Department of Defense Analysis

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ABSTRACT

China's position of non-interference in foreign governments' affairs, while currently good for Chinese business, may threaten to increase international terrorism, deepen regime corruption, and erode U.S. political relevance in sub-Saharan Africa. China has empowered private enterprises, which can monopolize African market sectors, marginalize African businesses, and exacerbate local social conditions. Using non-violent uprising and violent resistance events from Social Conflict Analysis Database (SCAD), World Governmental Indicators (WGI), and World Development Indicators (WDI) databases, this study seeks to determine to what extent China's long-term economic goals may challenge U.S. security objectives in Africa. Observations from African states will form the base for analysis to establish a fundamental correlation between Chinese direct investment and Beijing's foreign policy in Africa.

This study illustrates that China's foreign policy is not reflected in the actions of its state-owned enterprises and non-government organizations, increasing the potential for friction and conflict, and that China's investment approach inherently requires the support of the host nation and may affect our African partners' alignment with U.S. policy objectives. This study also highlights a significant gap in data regarding the state of our partners in Africa.

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LIST OF ACRONYMS AND ABBREVIATIONS

AGOA	African Growth and opportunity Act
CCP	Chinese Communist Party
CPC	Communist Party of China
ECC	Economic and Commercial Counselor
Exim	Export-Import
FDI	foreign direct investment
FOCAC	Forum on China-Africa Cooperation
GDP	gross domestic product
GWOT	Global War on Terrorism
IMF	International Monetary Fund
MCC	Millennium Challenge Corporation
MFA	Ministry of Foreign Affairs
MFA	multi-fiber agreement
MOF	Ministry of Finance
MOFCOM	Ministry of Commerce
NGO	non-governmental organization
ODI	overseas direct investment
OECD	Organization of Economic Cooperation and Development
OF	official funding
OOF	other official flows
PEPFAR	President's Emergency Plan for AIDS Relief
SASAC	State-Owned Assets Supervision and Administration Commission
SCAD	Social Conflict Analysis Database
SOCARF	Special Operations Command-Africa
SOE	state-owned enterprise
SOF	Special Operations Forces
SSA	sub-Saharan African
TANZAM	Tanzania-Zambia railway
TUFF	Trading Under-reported financial flows
UN	United Nations

U.S. AFRICOM	U.S. Africa Command
USAID	U.S. Agency for International Development
VNSAs	violent non-state actors
WDI	World Development Indicators
WGI	World Governmental Indicators
WTO	World Trade Organization

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I. INTRODUCTION

A. BACKGROUND

China's rate of growth in Africa has given decision makers in the U.S. government reason for pause. China's trade on the continent had, by 2009, surpassed U.S. trade with Africa for the first time.¹ Foreign terms of Chinese trade have summarily negated the advantages of the World Trade Organization (WTO) manufacturing multi-fiber agreement (MFA) and the African Growth and Opportunity Act (AGOA) for African domestic markets.² This, combined with unpalatable support to the South Sudanese conflict, impressed upon U.S. defense planners to consider the potential threat of China's interactions in Africa. This study argues that China's engagement strategy in Africa presents unique direct and indirect challenges to United States' engagement strategy in Africa. China's position of non-interference in foreign governments' affairs, while currently good for Chinese business, could increase the threat of internationalized terrorism, deepen regime corruption, and erode U.S. political relevance in the region. Furthermore, China's strategy has empowered private enterprise to wield national power projection to maintain the comparative advantage. More explicitly, when the Chinese government is unable to wield political influence in an area, it leverages Chinese corporations' ability to monopolize market sectors, which can then elevate Chinese political relevance and influence. The problem arises when the interests of enterprises deviate from the larger goals of the Chinese government. The illumination of these facts could alter the perspective of military decision makers involved in African engagement strategies to consider broader objectives while solving immediate regional problems. This thesis suggests that there is a significant gap in research to understand when and where China's political, economic, and legal activities are directly linked to each other.

¹ Robert G. Sutter, *Chinese Foreign Relations: Power and Policy Since the Cold War*, 3rd ed., Asia in World Politics (Lanham, MD: Rowman & Littlefield Publishers, 2012), 319; *China's Growing Role in Africa: Implications for U.S. Policy: Testimony before the Senate Committee on Foreign Relations Subcommittee on African Affairs*, 112th Congress, 1 (2011) (statement of David H. Shinn, Adjunct Professor, Elliott School of International Affairs George Washington University).

² Gumisai Mutume, "Loss of Textile Markets Costs African Jobs: Diversification, Efficiency Hold Key for Economic Recovery," *Africa Renewal*, 2006, 18.

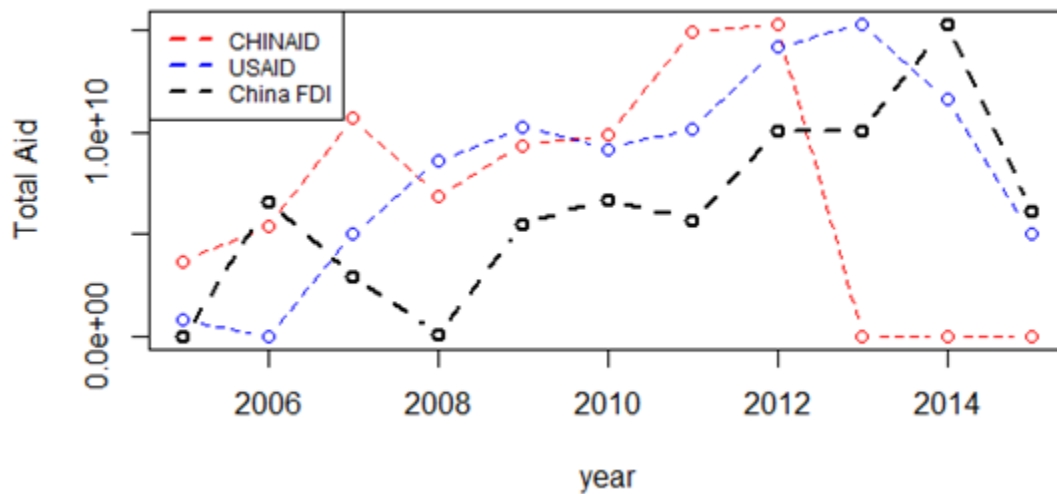
Moreover, this study illuminates how U.S. and Chinese policies exacerbate local conditions that undermine U.S. national objectives in the region.

B. PURPOSE AND METHODOLOGY

The purpose of this thesis is to analyze the Chinese emergence model that has been applied in Sub Saharan Africa. This study seeks to determine to what extent China's long-term economic goals may challenge U.S. security objectives in Africa. Observations from African states form the base for analysis to establish a fundamental correlation between Chinese direct investment and foreign policy in Africa. Using investment, onset of civil unrest, and foreign aid data sets, this study highlights both the rules that drive Chinese foreign policy, and the potential effect that Chinese strategy has on local conditions in Africa. Highlighting these patterns serves to better inform U.S. Defense planners in the region by considering the peculiarities of each host nation, rather than adhering to a cross cutting "one size fits all" engagement strategy.

To capture the broadest spectrum of relevant variables this study utilizes two databases for Chinese financial flows, as well as a social unrest onset dataset and a World Bank governmental indicators dataset. These datasets are all open-source, and most importantly, analyzed using the R code open-source community studio. Of particular interest to this study is the attraction of differing African markets to Chinese investment. Furthermore, the study investigates the role of international aid in this attraction. Additionally, this study uncovers host governmental characteristics that favor the Chinese government and their potential to exacerbate troubled social conditions in the host nation. In particular, the China AidData set is utilized to consider the investment typology of foreign direct investment (FDI), as well as other official flows (OOF) such as foreign aid. The Social Conflict Analysis Database (SCAD), World Governmental Indicators (WGI), and AidData sets are categorized into two discernable operating environments: 1) Largely state owned resource markets and 2) Largely privatized service sector markets. The amalgamation of these data sets provides examples of national subsidies, private investment, and Chinese migrant remittance that amplify China's extensions of national power. Although a critique of Chinese foreign policy is offered, this paper advocates that

the domestic policies of our strategic partners, rather than Chinese foreign policy, should be the target of the U.S. government's effort. Moreover, U.S. foreign policy and military action should more precisely consider the motivations of third-party nations, for which this study serves as a primer.



China's aid has grown rapidly year after year since 2006, outpacing USAID from 2010 to 2012. Though both nations reduced aid in the years that followed, Chinese FDI outlasted U.S. outreach programs and has become a larger political influencer in Africa.

Figure 1. Chinese Aid, Foreign Direct Investment, and USAID³

Figure 1 shows the corresponding year along the x axis and amount of donor aid in U.S. dollars along the y-axis. The redline represents Chinese aid dollars to Africa since 2005, while the blue line represents U.S. aid dollars during the same period. From 2010 to 2012, China had for the first time surpassed U.S. aid dollars on the continent. The black line, representing Chinese foreign direct investment (FDI), illustrates an interesting relationship between aid dollars and investment, which will be explored in detail throughout this paper.

This research expands on existing analysis in this field. In particular, comparative studies such as Scott Kastner's "Buying Influence" have illuminated the difficulty with

³ Adapted from Austin M. Strange et al., "Tracking Underreported Financial Flows China's Development Finance and the Aid-Conflict Nexus Revisited," *Journal of Conflict Resolution*, 2015.

defining “foreign influence.”⁴ Therefore, attempting to consider the ramifications of such activities is, at least, equally difficult. For example, this study expands on quantitative market analysis findings to explore the dependence of regional “stability,” on similar functions of third party nations. Stability is an oft-stated condition found in U.S. Africa Command’s (AFRICOM) 2016 posture statement.⁵ Stability is a term applied broadly. This study considers the definition of stability among the SCAD coding scheme, USAID planning documents and the AFRICOM posture statement. As it relates to our methodology, stability refers to the relationship between governments and their constituents. Moreover, stability defines the natural and artificial conditions and events in a sociopolitical space that bind citizens to social order. This may include individual conditions such as employment, income, and food and shelter availability. This may also include public policy such as tax codes, voting rights, and freedom of the press.

This research considers a dependent variable of stability, which will include data reflecting unrest, governance, and economic condition of the affected host nation. Using non-violent uprising and violent resistance events from SCAD, as well as WGI and World Development Indicators (WDI) databases, this study considered numerous potential independent variables, to extrapolate China’s side effect on local conditions that could challenge U.S. stability goals in the region.

C. FINDINGS

At first glance, Chinese aid and investment appears to have no direct impact on civil unrest in the region. Further, quantitative research, such as Austin Strange et al.’s AidData program, has suggested a typology of trade markets that favor Chinese direct investment⁶ while Kastner’s study had expanded the dependent variable to consider political accommodation through trade conditions.⁷ This research expanded the study

⁴ S. L. Kastner, “Buying Influence? Assessing the Political Effects of China’s International Trade,” *Journal of Conflict Resolution* 60, no. 6 (September 1, 2016): 980–1007.

⁵ *AFRICOM Posture Statement: Hearing Before the Senate Armed Services Committee*, 114th Congress, 2 (2016) (statement of General David M. Rodriguez, USA, U.S. Africa Commander).

⁶ Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited.”

⁷ Kastner, “Buying Influence?”

further to consider the onset of civil unrest, or perhaps more accurately, the lack of civil unrest, while considering the conditions that China seek in a target nation. This will be covered more in detail in the analysis section, but generally, our analysis infers from the data that:

1. Chinese aid results in increases of Chinese FDI, typically in three year evolutions. FDI targets skilled labor forces and crude economies unless the host nation is a regional manufacturing competitor.
2. Chinese aid is heavily tied to commercial intent, providing infrastructure improvement in areas that provide long-term economic benefits. This usually involves non-concessional loans and debt forgiveness that provides Chinese investors leverage in host nation currency.
3. China considers political stability in target nations much more important than security or human rights. This is reflected in aid endowments that are closely tied to SOE investments.

These conditions suggest that China follows a considerably different decision process than the U.S. when adjudicating aid and considering FDI ventures. Though business shrewdness is appreciated in the Western context, transparency and trust are not valued equally in both cultures. The Chinese government has traditionally maintained heavy centralized control over businesses and corporations, but has over time lost control. Companies have become more competitive with other Chinese and international corporations. While companies seek to maximize their profit for themselves individually and for China collectively, their practices and consequences of their actions in African countries often conflict with the central government's policy and intent in those countries. This creates contradictions, discontent, and mistrust, occasionally leading to civil disputes, protests, and even violence. For instance, in Angola in 2006 the inequality in pay between Chinese and Angolan workers, and the lack of inclusion of Angolan workers led to disputes with Chinese companies.⁸ In 2010 in Zambia, two Chinese supervisors fired weapons at a crowd of workers protesting over wages, and injured 13

⁸ Manuel Ennes Ferreira, "China in Angola: Just a Passion for Oil?," in *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira (London: Hurst, 2008), 313–14.

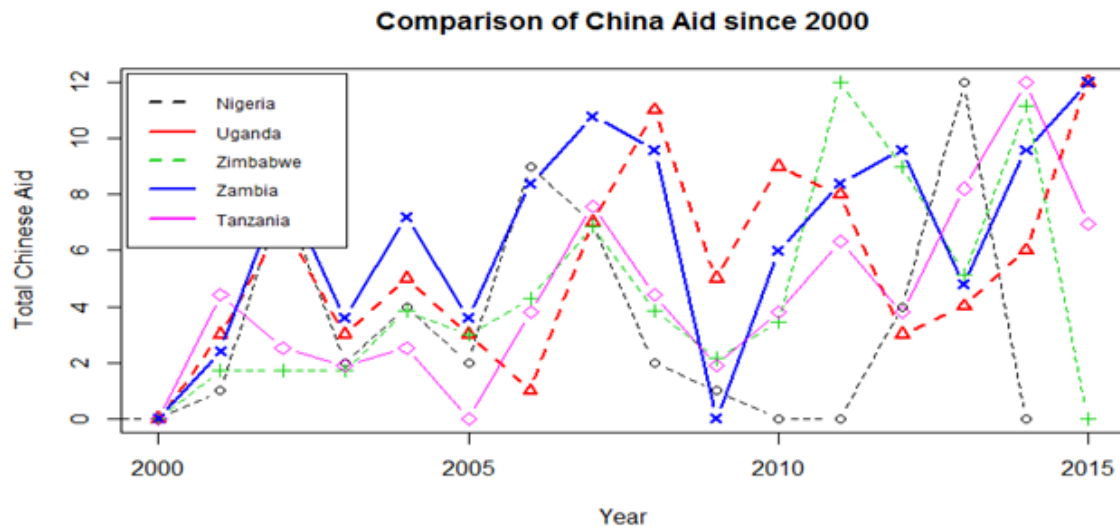
workers.⁹ Amid other anti-China reactions, between 2007 and 2012, 60 Chinese workers were kidnapped and or killed in Nigeria, Ethiopia, Somalia, Sudan, Chad, and South Sudan.¹⁰ These facts are only amplified by our statistical analysis that shows a strong attraction of Chinese investment to under-industrialized, resource-laden African nations. Social instability in these countries is largely driven by unemployment and weakness in democratic regimes. Ironically, the sources of Chinese economic strength in Africa also provide the largest vulnerabilities to Chinese national political objectives and narrative abroad.

The growth of Chinese economic interests in Africa should come as no surprise. The continent offers substantial opportunity, particularly for transitioning economies. However, unregulated Chinese use of aid-based development and foreign military sales programs have challenged U.S. security objectives in the region. China has also seized on the opportunity to conflate shrewd business practice with altruistic “aid” and debt cancellation schemes. This has cornered weak and desperate regimes into accepting offers that are difficult to refuse. This is most apparent in Tanzania, Kenya, and Nigeria, accounting for half of our closest allies on the continent. While military capability is a large consideration for AFRICOM, special intelligence capabilities to illuminate these occurrences should be a close second.

In order to capture the breadth of underlying market factors associated with civil unrest and stability, this research suggests that there is a correlation between market potential, the intent of foreign investment or aid, and the level of civil unrest in a given country.

⁹ Barry Bearak, “Zambia Uneasily Balances Chinese Investment and Workers’ Resentment,” *New York Times*, November 20, 2010, <http://www.nytimes.com/2010/11/21/world/africa/21zambia.html>.

¹⁰ David L. Shambaugh, *China Goes Global: The Partial Power* (Oxford University Press, 2013), 200.



Chinese investment is on the rise and in 2011 surpassed U.S. totals on the continent. China has recently strayed from historic anchor countries and has grown a closer affinity to the U.S. partnering profile in Africa.

Figure 2. Comparison of Chinese Aid Since 2000¹¹

It is also apparent that China has recently divested from historic anchor countries on the continent. As seen in Figure 2, Chinese aid has consistently increased in Uganda and Tanzania since 2000, with 2006 marking an aggressive diversification of China's portfolio as a whole. It is also possible that China is solving some problems of their own, and going it about it in an indirect way. Agriculture is becoming as much, if not a bigger focus for Chinese development over resource extraction. The mentioned merchandise competitiveness in the region could hint that there are government incentives offered to gain Chinese export promises in return for fixed agricultural prices. This is even more important in countries whose national currency is extraordinarily inflated, such as Zimbabwe and Zambia, and would require an investor to own a significant shareholding in national bonds or alternative currencies to remain competitive. Interestingly, no significant flows seem to be directly attributed to "the development of agricultural output," however qualitative evidence suggests that privatization of the farming industry, and Chinese migrant laborers, are potentially netting China an agricultural import

¹¹Adapted from Strange et al., "Tracking Underreported Financial Flows China's Development Finance and the Aid-Conflict Nexus Revisited."

source.¹² Though initial analysis does not directly suggest that there is a relationship between Chinese official funding (OF) determination and political events, this figure illustrates an interesting change in Chinese foreign policy, away from numerous “all-weather” regional partners bringing them ever closer to U.S. regional contest.

While host-nation political stability pragmatically attracts Chinese aid, other factors of a host regime’s ability to govern are not considered by the Chinese government. This is a significant difference from the United States, which utilizes entities such as the U.S. Agency for International Development (USAID) and the Millennium Challenge Corporation (MCC) to incentivize governance objectives.¹³ Interestingly, this analysis has also shown a strong correlation between Chinese OF endowment and USAID grants within the same host nation. This correlation is more nuanced than a simple race for influence. When testing the reverse, that is, whether USAID follows China OF, there is no statistically significant correlation. By expanding the variables to include trade competitiveness indices, the attraction of Chinese aid to USAID programs continues to hold true. This simple variation has demonstrated that U.S. and Chinese perspectives on providing aid are considerably different. Furthermore, China holds the presence of U.S. aid and investment in high priority regarding its representational forms of aid endowment. The United States, in contrast, considers stability a higher priority, and generally does not consider the other economic actors that become barriers to foreign policy objectives. Tellingly, the United States has managed a balanced portfolio of economic and military aid programs, once it decides to move forward in a target nation. This only validates the “strings attached” developmental model that China has been keenly aware to avoid. Indeed, a closer consideration for numerous agencies definitions of “stability” should be implemented at all levels of operations on the African continent.

¹² “Trade Map,” International Trade Centre, www.intracen.org/marketanalysis; “Market Access Map,” International Trade Centre, n.d., www.intracen.org/marketanalysis.

¹³ Anthony Lake et al., *More Than Humanitarianism: A Strategic U.S. Approach Toward Africa: Report of an Independent Task Force* (New York: Council on Foreign Relations, 2006), 101; Curt Tarnoff, *Millennium Challenge Corporation* (CRS Report No. RL32427) (Washington, DC: Congressional Research Service, 2016), 19–20.

D. ORGANIZATION OF THESIS

The second chapter considers recent Chinese foreign policy and drivers of Chinese interest and engagement in Africa. The third chapter addresses U.S. foreign policy and engagement toward Africa. The fourth chapter examines the connection between Chinese aid and investment and expanding Chinese markets in Africa, ungoverned spaces, and instability. The conclusion considers implications for U.S. policy and stability interests in Africa.

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II. CHINESE FOREIGN POLICY AND ENGAGEMENT IN AFRICA

A. BACKGROUND

China's relationship with Africa has been important for over fifty years. Although Sino-African relations have waxed and waned throughout this time, being eclipsed by relationships with the United States and the Soviet Union during the Cold War, big power politics, and now China's primary focus on its periphery, China has not lost sight of the importance of Africa. Africa has served an important role in the emergence of China during the Cold War, and even today. Since 2008, China's global reputation has generally declined worldwide, except in Africa and some countries in Asia. While Africa as a "developing" continent places it third in the arrangement of Chinese foreign policy, China has benefited from this relationship politically and economically, and desires to continue benefiting in the future. China seeks to restore its "rightful place" internationally by expanding its economic ties and political leverage, achieve its two centenary goals, and values the support that Africa will provide in accomplishing these goals.¹⁴ As the Chinese Communist Party (CCP) moves closer toward its 100-year mark, advancing its position economically and politically to achieve a more prosperous Chinese society become more critical to the CCP.

Africa is important to China for ideological, political and economic reasons. China has considered Africa as its "most reliable ally in the international struggle" politically, and views mutually benefiting relations to strengthen China's path to sustainable development.¹⁵ While elements of ideology still persist in China's foreign

¹⁴ Ian Taylor, *China and Africa: Engagement and Compromise*, Routledge Contemporary China Series 14 (New York: Routledge, 2007), 197; Hu Jintao, "Full Text of Hu Jintao's Report at 18th Party Congress," People's Daily Online, November 8, 2012, http://news.xinhuanet.com/english/special/18cpcnc/2012-11/17/c_131981259_3.htm; "Xi Seeks New Outlook on Foreign Affairs," Xinhua, November 30, 2014, http://www.china.org.cn/china/2014-11/30/content_34188844.htm. The two centenary goals are "building of a moderately prosperous society in all respects, accelerate socialist modernization, and achieve the great renewal of the Chinese nation." Jintao, "Full Text of Hu Jintao's Report at 18th Party Congress," 2012.

¹⁵ Manuel Ennes Ferreira, "China in Angola: Just a Passion for Oil?," in *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira (London: Hurst, 2008), 144–45.

policy toward Africa, China's emphasis on ideology has declined, and the essence of China's foreign policy in Africa today is marked by political and economic interests, through which China seeks to advance its global position vis-à-vis Western nations. Although China is more effective in its messaging than previous decades, it still must contend with the realities of the actual implementation of its policies, to include contradictions, shortcomings, and emerging security issues in order for its policies to be effective.

China's ideology persisted in its positions of non-interference, anti-colonialism, and anti-hegemonism. China has claimed to share a common identity with Africa as a developing country and from its experience with imperialism. From 1982 to 1983 Premier Zhao Ziyang toured 11 African countries to renew ties and asserted China's shared "third world identity."¹⁶ During the Cold War China increased ties in Africa while Western nations were focused elsewhere.¹⁷ After the Tiananmen Square incident in 1989, Qian Qichen, the Chinese Foreign Minister, visited 11 African countries in effort to expand China's foreign relations.¹⁸ In the late 1990s, China began an active campaign of criticizing Western nations and their "hegemonism and power politics," stipulations for democracy and human rights, and the west's shifting focus from Africa during the Cold War.¹⁹ In his address to the first Forum on China-Africa Cooperation (FOCAC) Summit in 2000, Hu Jintao stated "without peace and development in China and Africa, there will be no global peace and development."²⁰ In a reference to imperialism, Hu spoke of the "widening gap between North and South [sic]," and China and Africa's "struggle against subjugation."²¹ Chinese leaders have continued to reference China and Africa's common

¹⁶ Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira, eds., *China Returns to Africa: A Rising Power and a Continent Embrace* (London: Hurst, 2008), 5.

¹⁷ Sutter, *Chinese Foreign Relations*, 312.

¹⁸ Sutter, *Chinese Foreign Relations*, 311.

¹⁹ Sutter, *Chinese Foreign Relations*, 312, 314.

²⁰ Hu Jintao, "Speech by President Hu Jintao of the People's Republic of China," Forum On China-Africa Cooperation, November 4, 2006, <http://www.focac.org/eng/ltada/dscbjhy/SP32009/t606840.htm#>.

²¹ Hu Jintao, "Speech by President Hu Jintao of the People's Republic of China," 2.

struggles, and have focused their messaging on peace and development and win-win cooperation, seeking to isolate the West and gain favor for China.²²

In the past 50 years Africa has played an important role in China's political objectives of expanding the acceptance of the "One China" policy, gaining international legitimacy, and restoring China to its proper place. Reunification with Taiwan and advocating the existence of one China has been at the forefront of Chinese foreign policy since the 1950s. It is important to recognize that China historically does not use aid for political leverage, with the exception of the "One China" policy.²³ China has established official diplomatic relations with all African countries that have avoided official relations with Taiwan, and has broken ties with countries that have established official relations with Taiwan.²⁴ Yun Sun, a fellow at the East Asia Program of the Henry L. Stimson Center noted that only three African countries, Burkino Faso, Swaziland, and São Tomé and Príncipe, had diplomatic ties with Taiwan.²⁵ Most recently, Gambia, China, has been resolute in its position on Taiwan, and enforces this position not just bilaterally, but in multilateral institutions. During the first FOCAC Summit in 2006 in Beijing, China, invited the countries that officially recognize Taiwan to attend as observers only.²⁶ This summit demonstrated China's successes in promoting the "One China" policy, as well as China's position as a global actor in Africa.

²² Hu Jintao, "Speech by President Hu Jintao of the People's Republic of China"; Wen Jiabao, "Address by H.E. Mr. Wen Jiabao Premier of the State Council of the People's Republic of China," Forum On China-Africa Cooperation, December 15, 2003, <http://www.focac.org/eng/ltada/dejbzjhy/SP22009/t606816.htm#>; Wen Jiabao, "Address by H.E. Mr. Wen Jiabao Premier of the State Council of the People's Republic of China," Forum On China-Africa Cooperation, November 4, 2006, <http://www.focac.org/eng/ltada/dscbjhy/SP32009/t607552.htm#>; Xi Jinping, "Speech by President Xi Jinping of the People's Republic of China," Forum On China-Africa Cooperation, December 4, 2015, http://www.focac.org/eng/ltada/dwjbzjhyys_1/zyjh/; "Spotlight: China, Africa Map Out Strategic Vision for Win-Win Cooperation with Practical Action Plan," Xinhua, December 4, 2015, http://news.xinhuanet.com/english/china/2015-12/06/c_134889874.htm; Li Zhaoxing, "Report by H.E. Mr. Li Zhaoxing Minister of Foreign Affairs of the People's Republic of China," Forum On China-Africa Cooperation, December 15, 2003, <http://www.focac.org/eng/ltada/dejbzjhy/SP22009/t157709.htm#>.

²³ Ana Christina Alves, "Chinese Economic Diplomacy in Africa: The Lusophone Strategy," in *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira (London: Hurst, 2008), 71–72.

²⁴ Sutter, *Chinese Foreign Relations*, 296, 311.

²⁵ Yun Sun, "Africa in China's Foreign Policy," The Brookings Institution, 2014, 5, http://urban-africa-china.angonet.org/sites/default/files/resource_files/africa_in_china_yunsun_2014_0.pdf.

²⁶ Alden, Large, and Soares de Oliveira, *China Returns to Africa*, 9.

The United Nations is another example where China has used Africa to advance its global position. In the 1960s China began lobbying to obtain admission into the United Nations (UN) and remove the Republic of China, and in 1971 with the assistance of many African countries China accomplished both.²⁷ Between 1964 and 1971 China spread aid across 30 African countries, and started aid programs in 13 additional African countries after it won a seat in the UN.²⁸ China has continued to use its influence with developing nations in the UN to advance its position on non-interference. In 2006 and 2008 it successfully blocked UN sanctions on Sudan and Zimbabwe respectively.²⁹ China continues to be an advocate for African countries, promoting the equal representation of developing countries in the UN.³⁰ While Africa has remained important for China politically, it has been even more important economically.

Economic engagements are the most active form of China's foreign policy today. As noted by Ana Alves, China's interest in Africa has changed from ideological motivations to fulfilling economic needs.³¹ China became increasingly involved in Africa in the 1990s and even more so after the millennium. This period marked the development and implementation of China's "going out," a strategy of the CCP to its enterprises to expand business and invest overseas. The Chinese government had previously limited outward investment by private and state-owned enterprises (SOEs). At the 14th Party Congress in 1992, President Jiang Zemin stated that "we should grant to enterprises and to science and technology research institutes the power to engage in foreign trade, and we should encourage enterprises to expand their investments abroad and their transnational

²⁷ David L. Shambaugh, *China Goes Global: The Partial Power* (Oxford University Press, 2013), 109; Taylor, *China and Africa*, 197; Sutter, *Chinese Foreign Relations*, 310; Alden, Large, and Soares de Oliveira, *China Returns to Africa*, 5.

²⁸ Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford [England]; New York: Oxford University Press, 2009), 34.

²⁹ Sutter, *Chinese Foreign Relations*, 106; "China, Russia Bar Sudan Sanctions," BBC, April 18, 2006, sec. Africa, <http://news.bbc.co.uk/2/hi/africa/4917970.stm>; Daniel Nasaw, "China and Russia Veto Zimbabwe Sanctions," *Guardian*, July 11, 2008, <http://www.theguardian.com/world/2008/jul/11/unitednations.zimbabwe>.

³⁰ Huaxia, "China Calls for More Representation of African Countries in UN Security Council," Xinhua, February 22, 2016, http://news.xinhuanet.com/english/2016-02/23/c_135122663.htm.

³¹ Alves, "Chinese Economic Diplomacy in Africa: The Lusophone Strategy," 69.

operations.”³² In 1996 President Jiang toured six African nations and addressed the Organization of African Unity, promising aid projects, increased political cooperation, and expanded economic ties.³³ During his tour he also proposed the establishment of FOCAC, which has become the centerpiece for Sino-African relations.³⁴ FOCAC convenes every three years and has held six ministerial conferences and two summits.³⁵ After returning from a visit to Africa, Jiang gave a speech explicitly encouraging Chinese firms to “go out” and expand their business and investments abroad.³⁶ The first FOCAC Ministerial Conference was held in 2000; the same year, Premier Zhu Rongji made reference to “going out” (zou-chu-qu) to the National People’s Congress, and in 2001 China’s Go Global policy was implemented in the CCP’s 10th Five Year Plan.³⁷ In 2002 at the 16th Party Congress Jiang further emphasized the importance of investing abroad and “safeguarding our national economic security.”³⁸

In 2006 China upgraded its interactions and relationship with African nations with high-level visits to African nations, expressed its commitment to developing relations in Africa, labeled 2006 as “China’s Year in Africa,” and released its first Africa policy statement.³⁹ The same year China hosted the first FOCAC summit in Beijing, inviting not just ministers but top leaders as well. In his address to the summit, Hu Jintao spoke of China and Africa’s “common pursuit of friendship, peace, cooperation and development,” and how China has “never strayed from the principle of enhancing friendship, treating each other as equals, extending mutual support and promoting

³² Jiang Zemin, “Full Text of Jiang Zemin’s Report at 14th Party Congress,” *Beijing Review*, October 12, 1992, http://www.bjreview.com.cn/document/txt/2011-03/29/content_363504_5.htm.

³³ Alden, Large, and Soares de Oliveira, *China Returns to Africa*, 6; “AU in a Nutshell,” African Union, accessed June 12, 2016, <http://www.au.int/en/about/nutshell>.

³⁴ Shambaugh, *China Goes Global*, 109.

³⁵ Kizito Sikuka, “Africa: FOCAC Summit to Advance Sino-Africa Cooperation,” Forum On China-Africa Cooperation, November 24, 2015, http://www.focac.org/eng/ltada/dwjbzjjhys_1/hyqk/t1317484.htm.

³⁶ Shambaugh, *China Goes Global*, 175.

³⁷ Shambaugh, *China Goes Global*, 176; Taylor, *China and Africa*, 67; I. Alon et al., *China Rules: Globalization and Political Transformation* (Springer, 2009), 151.

³⁸ Jiang Zemin, “Full Text of Jiang Zemin’s Report at 16th Party Congress,” People’s Daily Online, November 8, 2002, http://en.people.cn/200211/18/print20021118_106984.html.

³⁹ Manuel Ennes Ferreira, “China in Angola: Just a Passion for Oil?,” 143–44.

common development in building our ties.”⁴⁰ Hu Jintao also stated “without peace and development in China and Africa, there will be no global peace and development.”⁴¹

In the wake of these foreign policy and economic policy shifts, trade ties between China and African countries increased. In 2009 China became the world’s largest energy consumer and China-Africa trade surpassed United States-Africa trade, and in 2010 China became dependent on imports for more than half of its total consumption.⁴² From 2000 to 2012 China’s trade with Africa increased from \$10 billion to \$180 billion.⁴³ At the second FOCAC Summit and 6th Ministerial Conference, president Xi Jinping outlined China’s new “one upgrade, five pillars, and ten plans” for Africa. Xi Jinping and African leaders agreed to advance their “relationship to a comprehensive strategic cooperative partnership,” and set five pillars of “political equality and mutual trust, win-win economic cooperation, mutually enriching cultural exchanges, mutual assistance in security, and solidarity and coordination in international affairs.”⁴⁴ While countries on China’s periphery and great powers remain China’s focus, Africa remains a “foundation,” where China can maintain consistent messaging on “strengthening of solidarity and cooperation” with a broad global audience of developing countries.⁴⁵ Through this China is able to use its common ground toward its interests.

B. CHINESE INSTITUTIONS

Institutions involved in China’s foreign policy and economic engagement are complex, have confusing relationships, and also have conflicting responsibilities. This

⁴⁰ Hu Jintao, “Speech by President Hu Jintao of the People’s Republic of China,” 2.

⁴¹ Hu Jintao, “Speech by President Hu Jintao of the People’s Republic of China,” 3.

⁴² Shambaugh, *China Goes Global*, 162; *China’s Growing Role in Africa: Implications for U.S. Policy: Testimony before the Senate Committee on Foreign Relations Subcommittee on African Affairs*, 112th Congress, 1 (2011) (statement of David H. Shinn, Adjunct Professor, Elliott School of International Affairs George Washington University).

⁴³ Lloyd Thrall, *China’s Expanding African Relations: Implications for U.S. National Security* (Santa Monica, CA: RAND Corporation, 2015), 1.

⁴⁴ “Spotlight: China, Africa Map Out Strategic Vision for Win-Win Cooperation with Practical Action Plan,” 2. The ten plans were: industrialization, agricultural modernization, infrastructure construction, financial services, green development, trade and investment facilitation, poverty reduction and public welfare, public health, people-to-people exchanges, and peace and security.

⁴⁵ Yun Sun, “Africa in China’s Foreign Policy,” 13.

increases outside skepticism about China's transparency, while also reducing the ability of the Chinese government to adequately control corporations and SOEs, and hold these organizations accountable and in-line with Chinese foreign policy. In general, the Chinese Ministry of Foreign Affairs (MFA) is the lead on political affairs, and the Ministry of Commerce (MOFCOM) is responsible for economic affairs.⁴⁶ However, this division of labor is not so clear cut, with the Ministries of Foreign Affairs and Finance also having a responsibility in economic engagements, such as foreign aid.⁴⁷ James Reilly and Wu Na observe that "perhaps nowhere else in the world is [MOFCOM] so central to China's foreign policy."⁴⁸ The complexity of the relationships and lines of authority, coupled with the negative influence and impact that Chinese companies have in Africa undermines China's foreign policy and objectives in Africa.

MOFCOM is the primary Chinese institution responsible for aid disbursements and bilateral trade negotiations with Africa, but it also consults with the MFA and Ministry of Finance (MOF) for projects and agreements, and coordinates with China Export-Import (Exim) Bank on concessional loans.⁴⁹ At the ground level, MOFCOM relies on Economic and Commercial Counselor (ECC) offices to act as local MOFCOM representatives in Africa, however these offices are under the administrative control of Chinese embassies, which are under the MFA (See Figure 3.).⁵⁰ ECC offices are responsible for monitoring Chinese corporations, however they do not have direct authority over Chinese corporations, nor does MOFCOM.⁵¹ This means that Chinese government institutions can exert little control over the activities of Chinese businesses, which can undermine Chinese foreign policy and international trade organizations.

⁴⁶ Yun Sun, "Africa in China's Foreign Policy," 2.

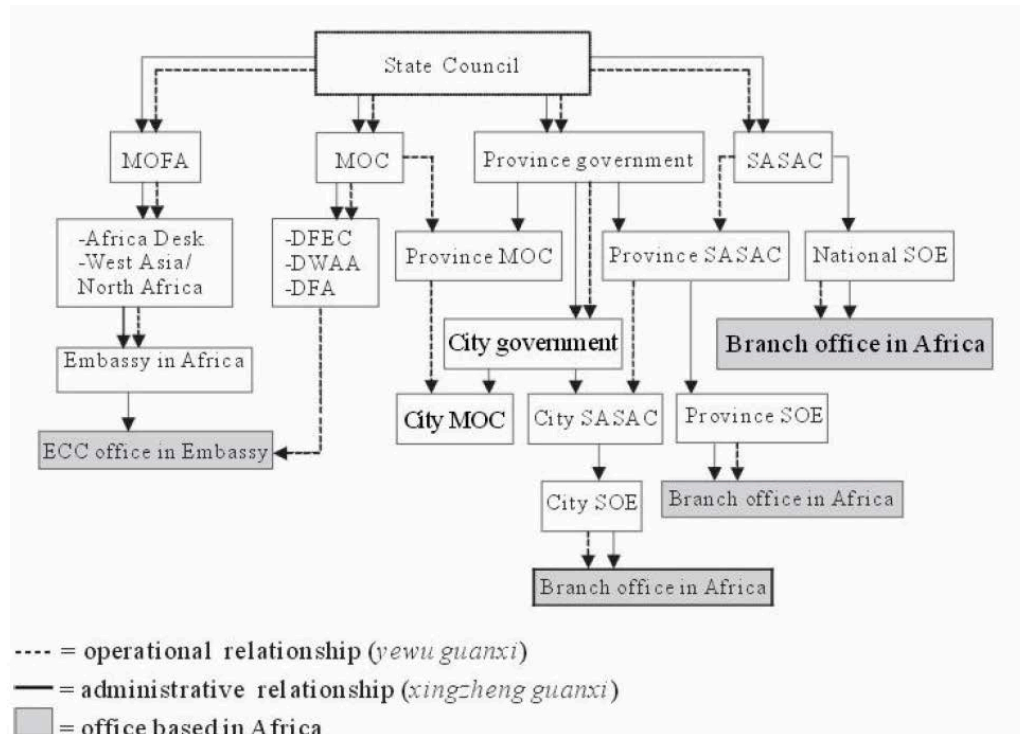
⁴⁷ David Hamilton Shinn and Joshua Eisenman, *China and Africa: A Century of Engagement*, 1st ed (Philadelphia: University of Pennsylvania Press, 2012), 148.

⁴⁸ James Reilly and Wu Na, "China's Corporate Engagement in Africa," in *Africa in China's Global Strategy*, ed. Marcel Kitissou (London, UK: Adonis & Abbey Publishers Ltd, 2007), 142.

⁴⁹ Larry Hanauer and Lyle J. Morris, *Chinese Engagement in Africa: Drivers, Reactions, and Implications for U.S. Policy* (RAND Corporation, 2014), 24.

⁵⁰ James Reilly and Wu Na, "China's Corporate Engagement in Africa," 143.

⁵¹ James Reilly and Wu Na, "China's Corporate Engagement in Africa," 149.



With no clear lines for authority, and layers of bureaucracy, the effectiveness of the Chinese government to sufficiently control companies that are operating outside the intent of the central government is greatly reduced.

Figure 3. Oversight and Implementing Agencies in China's Africa Policy⁵²

The MFA represents the Chinese government and executes China's foreign policy. It is responsible for releasing foreign policy documents and statements, along with shaping China's Africa policy.⁵³ The MFA is also in charge of all the Chinese embassies, which are responsible for all Chinese citizens in Africa.⁵⁴

The State-Owned Assets Supervision and Administration Commission (SASAC) manages China's SOEs, estimated at 120 firms, and controls \$3.7 trillion in assets.⁵⁵ The SASAC has operational control over SOEs, either owning or controlling at least 40% of a

⁵² James Reilly and Wu Na, "China's Corporate Engagement in Africa," 145.

⁵³ Hanauer and Morris, *Chinese Engagement in Africa*, 24.

⁵⁴ James Reilly and Wu Na, "China's Corporate Engagement in Africa," 143.

⁵⁵ Hanauer and Morris, *Chinese Engagement in Africa*, 25.

company.⁵⁶ The SASAC acts much like a board of directors, seeking to maximize the value and profit of each firm.⁵⁷

As MOFCOM, MFA, and SASAC are all ministry-level bureaucracies, they can undercut each other, with any disputes needing resolution from the Chinese State Council.⁵⁸ With no clear lines for authority, and layers of bureaucracy, the effectiveness of the Chinese government to sufficiently control companies that are operating outside the intent of the central government is greatly reduced.

C. ENGAGEMENT STRATEGY

China's engagement strategy in Africa has been focused around obtaining natural resources, using aid and investment to gain influence, and expanding and diversifying trade markets. But why choose Africa? First, Africa is one of the few places on earth where new natural resource discoveries are being made. Twenty-one percent of the world's oil production originates from Africa, while 85% of the new discoveries of deposits in the last decade were made in West and central Africa.⁵⁹ Second, China views Africa as "open for business," considering Western reluctance to work with less than desirable regimes.⁶⁰ Third, China seeks out resource opportunities that will not draw unnecessary political attention, such as competition for large contracts in the Middle East. China also requires vast amounts of iron ore, "copper, cobalt, cadmium, manganese... and so on- that African countries can supply," making it one of the top steel producers in the world.⁶¹ China's government and businesses have adapted as the environment and markets have changed, such as Deng Xiaoping's "opening up" policy in 1978 and Jiang Zemin's "going out" policy in 1992.⁶² China's continues to provide aid and investments,

⁵⁶ James Reilly and Wu Na, "China's Corporate Engagement in Africa," 141.

⁵⁷ James Reilly and Wu Na, "China's Corporate Engagement in Africa," 141–42.

⁵⁸ James Reilly and Wu Na, "China's Corporate Engagement in Africa," 142–49.

⁵⁹ Sarah Raine, *China's African Challenges*, Adelphi 404–405 (Abingdon, Oxon; New York, NY: Routledge for the International Institute for Strategic Studies, 2009), 38.

⁶⁰ Raine, *China's African Challenges*, 38.

⁶¹ Robert I. Rotberg, *China into Africa: Trade, Aid, and Influence*, ed. Robert I. Rotberg (Washington, D.C.: Brookings Institution Press, 2008), 4.

⁶² Shambaugh, *China Goes Global*, 55, 174.

and has expanded production, industry, and diversified markets. Chinese activities and interests are expanding throughout Africa.⁶³ While state-owned enterprises (SOE) have been downplayed as implementing the central government's foreign strategy, it is worth noting that in 2010 SOEs comprised 75% of China's ODI.⁶⁴ Larry Hanauer and Lyle Morris note this figure as "over 90 percent," coming from "China's large SOEs."⁶⁵ This indicates that SOEs still play an integral part to China's approach. Interesting enough, China does not shirk from "backward" countries, and in fact, has preferred to work with these niche clienteles where little competition existed. This has not only guaranteed exclusivity but has also allowed China to institutionalize its presence in each country.

China's lack of natural resources necessitated a break from traditional dependence on intermediate markets for energy sources. As a statement from the International Energy Agency points out, "over the next two decades, China's oil requirements will double to about 16 million barrels per day," with about two-thirds being imported from outside the country.⁶⁶ Nigeria, the eighth largest oil exporter globally, with the world's fifth largest reserve, exported one million barrels of oil to China in 2015.⁶⁷ In 2016, China signed an \$80 billion investment deal with Nigeria for "oil and gas infrastructure, pipelines, refineries, power, facility refurbishments and upstream," to be conducted by Chinese companies.⁶⁸ Other raw material, such as metals, are also critical for China. Greg Pollock points out that "China is the world's largest consumer of copper and has invested \$170 million in the Zambian copper sector."⁶⁹

⁶³ Bates Gill and James Reilly, "The Tenuous Hold of China Inc. in Africa," *Washington Quarterly* 30, no. 3 (2007): 37–38.

⁶⁴ Alden, Large, and Soares de Oliveira, *China Returns to Africa*, 13; Shambaugh, *China Goes Global*, 178.

⁶⁵ Hanauer and Morris, *Chinese Engagement in Africa*, 33.

⁶⁶ Rotberg, *China into Africa: Trade, Aid, and Influence*, 4.

⁶⁷ Shambaugh, *China Goes Global*, 163; Jill Malandrino, "China Wants to Import More Oil from Nigeria," VOA, March 16, 2016, <http://www.voanews.com/content/china-wants-import-more-oil-nigeria/3240867.html>.

⁶⁸ "Nigeria Signs \$80 Bln of Oil, Gas Infrastructure Deals with China," Reuters, June 30, 2016, <http://www.reuters.com/article/nigeria-oil-idUSL8N19M2HO>.

⁶⁹ Greg Pollock, "Back to the Future: Understanding China's Return to Africa and Its Implications For U.S. Policy.," *Journal of Public & International Affairs* 18 (2007): 61–62.

It should also come as no surprise that with an increased population, China has grown an import dependence on agricultural products, particularly soy beans. “China hosts 20% of the world population but possesses only 7% of the world’s arable land.”⁷⁰ African governments are already considering the revenue possibilities from Chinese “mega farming,” Angola forecasted a \$6 billion market after 2008.⁷¹

As Craig Richardson points out, good governments should use resource advantages and windfalls to support diversification in manufacturing and tech sectors.⁷² Unfortunately, the opposite is true in many African nations, particularly those locked into foreign trade agreements that regulate world market prices. Additionally, resource laden countries are more likely to fall into trade credit debt with direct investors. For example, despite Zimbabwe’s multiple past credit defaults, in 2013 the Chinese Exim bank extended another \$145 million loan, in addition to an unpaid \$200 million loan in 1997.⁷³ In order to maintain balance, crude economies will then receive concessional aid for development while paying down debt by pledging their natural resources. “In a 2012 contract all future revenue from Harare and Victoria Falls International Airports were offered to Chinese as security for a \$381 million loan to upgrade infrastructure.”⁷⁴ Conversely, resource scarce countries will find direct and indirect competition from foreign markets, as well as inflated pricing for natural resources and reduced foreign currency leverage.

Deborah Brautigam notes that China has used aid as a springboard for investment, and has used leasing former projects, soft privatization and joint ventures to recapitalize off former aid projects.⁷⁵ China’s own experience as a recipient of aid has shaped much of how China engages other developing countries today, and has kept it focused on

⁷⁰ Raine, *China’s African Challenges*, 41.

⁷¹ Raine, *China’s African Challenges*, 41.

⁷² Craig J. Richardson, “Zimbabwe: Why Is One of the World’s Least-Free Economies Growing so Fast?,” Cato Institute Policy Analysis, no. 722 (2013): 7, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2264434.

⁷³ Richardson, “Zimbabwe,” 7.

⁷⁴ Richardson, “Zimbabwe,” 7.

⁷⁵ Brautigam, *The Dragon’s Gift*, 62.

advancing the idea of economic cooperation for mutual benefit.⁷⁶ In fact, China still receives aid today, and Chinese officials maintain that China is still a developing country, so while the amount of aid it provides vis-à-vis Western nations is small, it is significant to China. China maintains that its actions toward developing countries is how it wanted to be treated as it emerged in the international environment. Brautigam notes how China's aid is different than the West as it is shaped by a foreign policy established in the 1950s (non-interference), that it follows a different set of core ideas about development, that China is a developing country and aid recipient itself, and that China's aid is used as a tool to boost China's own exports and growth.⁷⁷ It also used to secure access to markets. In his testimony to the U.S.–China Commission in 2005, Princeton Lyman stated that investments by Chinese SOEs “do not have to be profitable if they serve overall Chinese objectives...China can use aid, investment and technical inputs to win long term gains and access, with a willingness to ‘lose’ much in the short run to gain in the long run.”⁷⁸ Bates Gill and James Reilly call this a “moral-hazard problem,” where Chinese companies “act in a fiscally irresponsible manner” knowing that Chinese banks will back them.⁷⁹ A major problem in understanding Chinese aid and investment is that the figures are not accurately represented, often reported too low in official Chinese government reports, and “grossly inflated” in media reports.⁸⁰

Prior to 1978, China had no overseas direct investment (ODI); in the 1980s as foreign trade was encouraged, the central government maintained a high degree of control, while in the 1990s its regulations relaxed and projects and investment increased to \$1.2 billion, and by 2010 ODI had increased dramatically to over \$68 billion.⁸¹ China's recent investments in Africa are best described by what David Shambaugh calls

⁷⁶ Brautigam, *The Dragon's Gift*, 70.

⁷⁷ Brautigam, *The Dragon's Gift*, 24–25.

⁷⁸ Princeton N. Lyman, *China's Rising Role in Africa* (Council on Foreign Relations, 2005), 6.

⁷⁹ Gill and Reilly, “The Tenuous Hold of China Inc. in Africa,” 48–49.

⁸⁰ Michael A. Glosny, *Meeting the Development Challenge in the 21st Century: American and Chinese Perspectives on Foreign Aid* (The Committee on United States-China Relations, 2006), 12–13, http://www.cctr.ust.hk/materials/library/20070201_ForeignAidReport.pdf.

⁸¹ Shambaugh, *China Goes Global*, 177.

the “push” and “pull” factors, where the push factor comes from a saturation of investment capital in a domestic market that drives companies to look for overseas opportunities, and the pull factor is host countries that are looking for inbound investment.⁸² Alden notes that Chinese investment to Africa is predominantly resource oriented, and focused in resource rich countries such as Angola, Sudan, Chad, Equatorial Guinea, Nigeria, and South Africa.⁸³ Until 2005, Sudan was the top recipient of Chinese non-financial overseas direct investment in Africa (22%), and was the ninth largest recipient (\$352 million) of China’s total outward foreign direct investment.⁸⁴ However, China’s investment in Africa remains a small portion of China’s total global investment, reflecting China’s arrangement of priorities, with Asia being its largest target for investment.⁸⁵ Nonetheless, Chinese aid in Africa has only intensified since the establishment of the Forum on China-Africa Cooperation (FOCAC) and the aggressive implementation of the “going out” policy since 2006. In countries such as Ghana, Togo, Tanzania and Zimbabwe aid endowments have accelerated or surpassed the United States, subsequently introducing equivalent increases in Chinese FDI. In Kenya from 2007 to 2011, U.S. FDI was \$12 million, whereas Chinese FDI was \$230 million.⁸⁶

China seeks to expand and diversify trade markets in Africa. In 1995 Sino-African trade was under \$5 billion; in 2010 it was over \$127 billion.⁸⁷ In 2014 two-way trade between China and Africa reached \$221 billion.⁸⁸ China has been focused on oil, minerals, and other resources such as timber, but recently has expanded to industry and manufacturing. To provide a clearer picture of the dynamics of China’s aid and trade

⁸² Shambaugh, *China Goes Global*, 179.

⁸³ Alden, Large, and Soares de Oliveira, *China Returns to Africa*, 14.

⁸⁴ Daniel Large, “From Non-Interference to Constructive Engagement? China’s Evolving Relations with Sudan,” in *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira (London: Hurst, 2008), 286.

⁸⁵ Shambaugh, *China Goes Global*, 180–81.

⁸⁶ Government Accountability Office, *Sub-Saharan Africa Case Studies of U.S. And Chinese Economic Engagement in Angola, Ghana, And Kenya; A Supplement To GAO-13-199: Report To Congressional Requesters* (GAO-13-280SP) (Washington, DC: United States Government Accountability Office, 2013), 52.

⁸⁷ Shambaugh, *China Goes Global*, 110.

⁸⁸ Xi Jinping, “Speech by President Xi Jinping of the People’s Republic of China,” 1.

practices today, China's trade practices were shaped by its experience with Japan in the 1970s and 1980s, and the application of the Goa formula in economic cooperation, where mutual benefit is sought through exchange of raw materials for industry, technology and financing.⁸⁹ China also used a form of barter trade, known as *buchang maoyi*, with similar characteristics for companies that lacked access to foreign exchange.⁹⁰ While it would be presumed that China's intent for trade is to benefit economically, China operates on a trade deficit with African Portuguese-speaking countries and Sudan.⁹¹ Deborah Brautigam supports this claim by saying "[China's] goal was not to provide altruistic handouts to developing countries, rather to establish concessional finance."⁹² Brautigam goes on to point out that the quality of the relationship was established by avoiding the "paternalistic" stigma that traditionally came with Western style aid.⁹³

1. Obstacles and Challenges

In general, corporate corruption and lack of accountability, contradictions between China's ambiguous political positions and its actions in Africa, and a lack of transparency have resulted in a rising anti-China sentiment. Issues in China's economic policies counter Beijing's principles and threaten Sino-African relations. Elizabeth Economy notes that despite central control measures, weak corporate responsibility deteriorates relationships abroad.⁹⁴ When China decentralized its economic policies during its "going out" phase, it reduced the central government's ability to influence actions of private Chinese entrepreneurs.⁹⁵ Tensions and contradictions arose between conflicting interests of the state bureaucracies and the individual companies operating in

⁸⁹ Brautigam, *The Dragon's Gift*, 46–47.

⁹⁰ Brautigam, *The Dragon's Gift*, 49.

⁹¹ Alves, "Chinese Economic Diplomacy in Africa: The Lusophone Strategy," 77; Large, "From Non-Interference to Constructive Engagement? China's Evolving Relations with Sudan," 285. While China's trade with APSC grew from \$11 billion in 2003 to \$34 billion 2006, it has a trade deficit of \$15 billion. See Alden, 77. China's deficit with Sudan was approximately \$2.6 billion

⁹² Brautigam, *The Dragon's Gift*, 25.

⁹³ Brautigam, *The Dragon's Gift*, 25.

⁹⁴ Elizabeth Economy and Zha Daojiong, "Global Development and Investment," in *Debating China: The U.S.-China Relationship in Ten Conversations*, ed. Nina Hachigian (Oxford; New York: Oxford University Press, 2014), 134.

⁹⁵ Gill and Reilly, "The Tenuous Hold of China Inc. in Africa," 49.

Africa.⁹⁶ Also, because the Ministry of Commerce is the centralized decision maker for investment and foreign aid, this causes a poor perception between assistance and profit-making commercial activity, leading to perceptions of China's "neo-colonialism."⁹⁷ As noted by Michael Glosny, a Professor at the Naval Postgraduate School, China must "address the perception that much of its aid is tied to obtaining resources, practicing mercantilism or neo-colonialism, and supporting states of concern."⁹⁸

Rising anti-China sentiment in Africa has manifested itself in demonstrations against Chinese companies regarding violations of labor practices, unfair treatment, and influx of poor Chinese goods.⁹⁹ African countries that are resource poor may also view China as a competitor.¹⁰⁰ Although China claims to have a "no strings" policy, Chinese grants have been followed by awarding large contracts to Chinese construction firms, and private contracts for Chinese companies have increased since 2000.¹⁰¹ In addition, China's no strings policy undermines international efforts to restrict repressive and corrupt regimes.¹⁰² China's demand for commodities has shifted African exports away from Organization of Economic Cooperation and Development (OECD) markets to China.¹⁰³ As a result, aid is harder to track, causing negative perceptions of China's intentions.

China faces more barriers in realizing the implementation of its policies, and must contend with the corrupt business practices of individual Chinese companies, contradictions in its policies, and an increase in threats to its business and individual

⁹⁶ Gill and Reilly, "The Tenuous Hold of China Inc. in Africa," 38–39.

⁹⁷ Shambaugh, *China Goes Global*, 205, 110.

⁹⁸ Glosny, *Meeting the Development Challenge in the 21st Century*, 27.

⁹⁹ Shambaugh, *China Goes Global*, 200.

¹⁰⁰ Andrea Goldstein, Nicolas Pinaud, and Helmut Reisen, "China's Boom: What's in It for Africa? A Trade Perspective," in *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira (London: Hurst, 2008), 40.

¹⁰¹ Gregor Dobler, "Solidarity, Xenophobia and the Regulation of Chinese Business in Namibia," in *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira (London: Hurst, 2008), 240–41.

¹⁰² Shambaugh, *China Goes Global*, 110.

¹⁰³ Goldstein, Pinaud, and Reisen, "China's Boom: What's in It for Africa? A Trade Perspective," 46.

citizens in Africa. China's Ministry of Foreign Affairs and its Ministry of Commerce do not have direct authority over Chinese businesses overseas, and while the Chinese government is attempting to regain control, accountability and enforcement of regulations is difficult.¹⁰⁴

While China advocates policies such as non-interference and peace and development, and has repeatedly stated that it will uphold the international order "by the purposes and principles of the UN Charter,"¹⁰⁵ China faces challenges in contradictions and potential for backlash. China has not consistently penalized small and developing countries when they violate international rules and norms, and has also dealt with nations that the international community admonishes such as Sudan and Zimbabwe.¹⁰⁶ With its "no strings attached" policy, China's position challenges corrupt countries' incentives for implementation of accountability, human rights and democratic practice.¹⁰⁷

China's principle of non-interference has been challenged in places such as Sudan, where China's interests have become more entangled. China has faced pressure from the international community and must demonstrate that it can be a responsible stakeholder in developing countries.¹⁰⁸ For instance China National Petroleum Corporation (CNPC), one of China's largest oil companies, and a state owned enterprise, owned over 40% shares of Greater Nile Petroleum Operating Company (GNPOC), and Petrodar Operating Company, the two largest oil companies in Sudan.¹⁰⁹ The Chinese government has provided heavy military equipment to the Sudanese government, which

¹⁰⁴ Gill and Reilly, "The Tenuous Hold of China Inc. in Africa," 49.

¹⁰⁵ "Spotlight: China, Africa Map Out Strategic Vision for Win-Win Cooperation with Practical Action Plan," 5.

¹⁰⁶ Shambaugh, *China Goes Global*, 139–40.

¹⁰⁷ Christopher Alden, "Africa Without Europeans," in *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira (London: Hurst, 2008), 354–55.

¹⁰⁸ Large, "From Non-Interference to Constructive Engagement? China's Evolving Relations with Sudan," 276; David L. Shambaugh, ed., *Tangled Titans: The United States and China* (Lanham, Md: Rowman & Littlefield, 2013), 42. In 2005 Deputy Secretary of State Robert Zoellick challenged China to become a "responsible stakeholder" and adopt more international norms. China was skeptical of the United States' intent in pressuring China to conform. See Shambaugh, 42.

¹⁰⁹ Large, "From Non-Interference to Constructive Engagement? China's Evolving Relations with Sudan," 281–82; Shambaugh, *China Goes Global*, 165, 167.

continued to fuel Sudan's civil war in the past two decades.¹¹⁰ After China received criticism for its policies ignoring poor governance, corruption, and conflict in Sudan, President Hu Jintao visited Sudan to persuade the Sudanese President to accept a UN-African Union peacekeeping mission (UN Mission in Sudan).¹¹¹ The presence of large quantities of Chinese small arms in Chad and Tanzania has also brought China's responsibility into question.¹¹²

China's lack of transparency poses a great concern for African nations, and the United States and other international actors. While China has made positive contributions to African nations, African economies are adversely affected by Chinese aid and investment that fosters corrupt business and governance practices.¹¹³ China can use this to its advantage for political or economic leverage. Lyman notes that China's economic involvement in Africa "come with no conditionality related to governance, fiscal probity or other of the concerns that now drive western donors."¹¹⁴ Hanauer and Morris point out that China's lack of transparency allows for personal gain, and corruption is enabled with the high value of money exchanged between China and African governments that hold exclusivity on resources and markets.¹¹⁵ Chinese business are able to exploit corrupt officials, and by not releasing accurate aid and investment data, China is able to undermine efforts to promote good governance.

This is all important in Africa, as Africa contains a number of highly corrupt governments and fragile states. Richard Schiere points out that nations assisting in the development of African states could support "fragile states by improving transparency of

¹¹⁰ Peter S. Goodman, "China Invests Heavily in Sudan's Oil Industry," *Washington Post* (December 23, 2004).

¹¹¹ Large, "From Non-Interference to Constructive Engagement? China's Evolving Relations with Sudan," 275–76.

¹¹² Roland Marchal, "French Perspectives on the New Sino-African Relations," in *China Returns to Africa: A Rising Power and a Continent Embrace*, ed. Christopher Alden, Daniel Large, and Ricardo Soares de Oliveira (London: Hurst, 2008), 191–92.

¹¹³ Hanauer and Morris, *Chinese Engagement in Africa*, 3, 112.

¹¹⁴ Lyman, *China's Rising Role in Africa*, 2.

¹¹⁵ Hanauer and Morris, *Chinese Engagement in Africa*, 64.

their interventions, thereby facilitating the coordination of development cooperation.”¹¹⁶ In 2011 Transparency International noted that Chinese firms were “among the most likely to pay bribes,” and were ranked 27th out of 28 countries.

China’s lack of transparency goes beyond aid and investment. Lloyd Thrall noted that China supplied over “25 percent of the total African arms market in 2011,” likely making it the “largest single supplier of small arms and light weapons to Africa,” and from 2002 to 2010 China provided over \$2.5 billion in arms to at least 16 African nations.¹¹⁷ Thrall highlights that the Chinese central government does not disclose the volume of the sales, its role, or policies.¹¹⁸ Furthermore, arms transfers have been shown to be a significant predictor of increased political unrest.¹¹⁹ From 2006–2010, China provided sales that included fighter aircraft, trainers, transport aircraft, small arms ammunition, rockets, and mortars to eighteen African countries.¹²⁰ Additionally, the UN has found Chinese arms in the Democratic Republic of the Congo, Ivory Coast, Somalia, and Sudan against UN sanctions.¹²¹ This again leads to negative perceptions of China’s activities in Africa, and demands China to act more as a responsible stakeholder.

2. Criticism

A popular criticism of Chinese investment in Africa is that it has embarked on a neo-colonialist foreign policy which has largely exploited the abandoned European

¹¹⁶ Richard Schiere, “The Impact of China on the Donor Landscape in African Fragile States,” *IDS Bulletin* 45, no. 4 (2014): 54.

¹¹⁷ Thrall, *China’s Expanding African Relations*, 44. Thrall derived these figures from Stockholm International Peace Research Institute, “Arms Transfers Database,” web tool, undated. This figure does not include South Africa. See Richard F. Grimmett, “Conventional Arms Transfers to Developing Nations, 2002–2009,” Washington, D.C.: Congressional Research Service, CRS Report for Congress, September 10, 2010, pp. 52–58.

¹¹⁸ Thrall, *China’s Expanding African Relations*, 44.

¹¹⁹ Cassady Craft and Joseph P. Smaldone, “The Arms Trade and the Incidence of Political Violence in Sub-Saharan Africa, 1967–97,” *Journal of Peace Research* 39, no. 6 (2002): 693–710.

¹²⁰ Shambaugh, *China Goes Global*, 303. Countries included Algeria, Benin, Chad, Congo, Egypt, Gabon, Ghana, Kenya, Namibia, Niger, Nigeria, Rwanda, Sierra Leone, Sudan, Tanzania, Uganda, Zambia, and Zimbabwe.

¹²¹ Shambaugh, *China Goes Global*, 305; Opheera McDoom, “FEATURE - Chinese Arms in Darfur: The Twisted Trail of Weapons - World | The Star Online,” June 16, 2006, <http://www.thestar.com.my/news/world/2006/06/19/feature--chinese-arms-in-darfur-the-twisted-trail-of-weapons/>.

interest of the 1960s. Though there is a basis for this argument when considering the import of a cheap domestic labor forces, it is clear that China's corporate model also provides benefits to the local population. Robert Rotberg observes: "Unlike Belgium which [built] roads solely for the extraction of resources in the DRC, China is constructing or improving roads that are suitable not only for the transportations of resources but which citizen can also use for travel."¹²² However, Rotberg also observes that emerging state regimes have sought funding from international monetary funds and direct investment from world trade organization members, which require a significant amount of oversight, cost and economic concessions that meet foreign national interest. As previously mentioned, China has opened zero interest and low interest loans for the cost of resource exclusivity and tracts of unexplored land stymieing any real prospect of future political reform.¹²³ Brautigam also counters new colonialism criticism stating that with increased foreign aid, will come the addition of "experts" to maintain the infrastructure programs. Furthermore, Chinese research supports the idea of "being responsible to the end" ensuring that foreign aid meets the national objective of the host country while deterring corruption.¹²⁴

D. CONCLUSION

Economic and political objectives are China's greatest interests in Africa, with economics dominating China's foreign policy over the recent decades. China's approach may be focused on the common struggle connecting China and Africa, development, and win-win, however corporations acting increasingly in their own self-interest threaten to widen the gap and increase the differences between China and African nations. China's essential goals of achieving a more prosperous Chinese society and seeing the great renewal of the Chinese nation may very well be at the expense of other nations, however unintentional. FOCAC will remain an important platform for the Chinese, and Africa will grow in its importance for China. While the "going out" policy was a revolutionary

¹²² Rotberg, *China into Africa: Trade, Aid, and Influence*, 40.

¹²³ Rotberg, *China into Africa: Trade, Aid, and Influence*, 40.

¹²⁴ Brautigam, *The Dragon's Gift*, 59.

change which presented China with an opportunity for growth, the tangled lines of authority and layers of bureaucracy present challenges in transparency, conflicts, and contradictions in the bureaucracy that is supposed to oversee and manage Chinese commerce and foreign policy.

III. U.S. FOREIGN POLICY AND ENGAGEMENT IN AFRICA

A. FOREIGN POLICY

In the past 65 years, the U.S. has provided foreign assistance for national security interests such as anti-communism, democracy, and in the global war on terrorism, commercial interests, and humanitarian concerns.¹²⁵ U.S. foreign policy towards sub-Saharan African (SSA) is comprised of “four pillars” that aim to “strengthen democratic institutions”; “spur economic growth, trade, and investment”; “advance peace and security”; and “promote opportunity and development.”¹²⁶ A major distinction between Chinese foreign policy and that of the United States is the concept of non-interference. While both China and the U.S. claim improving economic conditions and development as objectives of their foreign policy, in contrast to the Chinese policy, the United States seeks to promote democracy and the rule of law. President Obama, in his U.S. Strategy Toward sub-Saharan Africa, stated that “the United States will not stand idly by when actors threaten legitimately elected governments or manipulate the fairness and integrity of democratic processes,” and will support “those who are committed to the principles of equality, justice, and the rule of law.”¹²⁷ The U.S. and other Western institutions attempt to hold African governments accountable for corruption, human rights, and the rule of law. Often, the difference between Chinese and American directions in their foreign policies mean that they adopt different, almost opposite stances within the same countries. For example, while the U.S. and the UN have imposed sanctions on Sudan and Zimbabwe, China has propped up the regimes of these countries.¹²⁸ In 2005 when the U.S. and the IMF pressured Angola to have greater transparency and reform its oil sector, China offered Angola \$2 billion.¹²⁹

¹²⁵ Curt Tarnoff and Marian L. Lawson, *Foreign Aid: An Introduction to U.S. Programs and Policy* (CRS Report No. R40213) (Washington, DC: Congressional Research Service, 2011), 2–3.

¹²⁶ “U.S. Strategy Toward Sub-Saharan Africa” (Washington, D.C.: White House, June 14, 2012), 2.

¹²⁷ “U.S. Strategy Toward Sub-Saharan Africa,” i.

¹²⁸ Lake et al., *More Than Humanitarianism*, 56:40, 49–51.

¹²⁹ Sutter, *Chinese Foreign Relations*, 321.

B. ENGAGEMENT STRATEGY

The United States has pursued policies that have enabled African nations to expand their markets and increase their exports, while tying incentives to democratic reform. Notably, U.S. foreign assistance has focused on “growth in development and humanitarian aid, particularly global health programs, and...increased security assistance directed toward U.S. allies in the anti-terrorism effort.”¹³⁰ In 2000, the U.S. passed the African Growth and Opportunity Act (AGOA), under which sub-Saharan African countries that are qualified may export items to the U.S. duty free.¹³¹ There are currently 39 sub-Saharan African countries that qualify for trade privileges under AGOA.¹³² In 2004, the United States established the Millennium Challenge Corporation (MCC), an independent aid agency, to provide assistance to developing countries.¹³³ The MCC reports to a board of directors chaired by the U.S. Secretary of State.¹³⁴ The MCC is guided by World Bank regulations, and often awards contracts to firms from developed nations other than the United States, causing some controversy.¹³⁵ This serves to illustrate the marked difference between U.S. and Chinese foreign aid to Africa. Furthermore, both AGOA and the MCC use conditions of good governance as qualifying criteria, distinguishing them from Chinese programs.¹³⁶ The MCC specifically considers “control of corruption,” “civil liberties,” and “political rights” indicators when choosing countries eligible to receive or to continue receiving aid.¹³⁷ In 2004, the U.S. established the President’s Emergency Plan for AIDS Relief (PEPFAR), providing over \$18 billion

¹³⁰ Tarnoff and Lawson, *Foreign Aid*, 1.

¹³¹ *Sub-Saharan Africa Trends in U.S. And Chinese Economic Engagement: Report to Congressional Requesters.*, GAO-13-199 (Washington, DC: United States Government Accountability Office, 2013), 11–13.

¹³² “General Country Eligibility Provisions,” International Trade Administration, U.S. Department of Commerce, accessed October 22, 2016, <http://trade.gov/agoa/eligibility/>.

¹³³ Marian Leonardo Lawson, *Foreign Aid: International Donor Coordination of Development Assistance* (CRS Report No. R41185) (Washington, DC: Congressional Research Service, 2013).

¹³⁴ Tarnoff and Lawson, *Foreign Aid*, 22.

¹³⁵ Tarnoff and Lawson, *Foreign Aid*, 18–19.

¹³⁶ Lake et al., *More Than Humanitarianism*, 56:101.

¹³⁷ Tarnoff, *Millennium Challenge Corporation*, 6–7.

over a five-year period, and another \$48 billion for an additional four years.¹³⁸ Together, the MCC and PEPFAR were integral in the U.S. doubling aid to Africa by 2010.¹³⁹ The same year, Africa became the “top recipient region of U.S. aid, at 29%.”¹⁴⁰ USAID also supports democratization programs in many countries in Africa.¹⁴¹ The Director of Foreign Assistance, under the U.S. State Department, guides U.S. foreign aid managed by the State Department and USAID, and identifies five strategic objectives of aid: “Peace and Security; Investing in People; Governing Justly and Democratically; Economic Growth; and Humanitarian Assistance.”¹⁴² Recent U.S. aid to Africa has largely been for emergency situations, with long-term investments in growth nearly flat.¹⁴³ Nonetheless, U.S. foreign policy and its engagement strategy is significantly different from China is in its emphasis on democratic reform, free market trade, and security assistance programs, a more open and competitive process in distributing aid projects, and does not use its foreign policy to leverage its businesses to the extent China does.

1. Criticism

Whereas China receives criticism for not getting involved enough, the U.S. receives criticism for getting too involved. While the United States has good intentions with its foreign policy, in practice the realization of these goals is something still to be seen. Jessica Piombo notes that while the U.S. sets high goals of promoting democracy and human rights, it has a “consistent record of backing governments that support U.S. strategic, economic, or military interests, regardless of the governments’ domestic or regional behavior.”¹⁴⁴ More often, U.S. actions are driven by emergent situations, responding to humanitarian or environmental emergencies, rather than following long-

¹³⁸ Tarnoff and Lawson, *Foreign Aid*, 13.

¹³⁹ Lake et al., *More Than Humanitarianism*, 56:6.

¹⁴⁰ Tarnoff and Lawson, *Foreign Aid*, 15.

¹⁴¹ Lake et al., *More Than Humanitarianism*, 56:95.

¹⁴² Tarnoff and Lawson, *Foreign Aid*, 3.

¹⁴³ Lake et al., *More Than Humanitarianism*, 56:7.

¹⁴⁴ Jessica Piombo, “US Africa Policy: Rhetoric Versus Reality,” *Current History* 111, no. 745 (2012): 1.

term consistent policies.¹⁴⁵ U.S. policies have varied from pressuring the government to respect human rights, to rewarding governments that opposed communism, regardless of their respect for human rights, to supporting governments engaged in the fight against terrorism.¹⁴⁶ More generally the United States supports and provides aid to governments that seek to strengthen democratic processes, and dedicates its efforts and resources to securing regional stability to support U.S. national interests.

C. CONCLUSION

Humanitarian efforts and democracy are at the forefront of U.S. foreign policy toward Africa, while securing and preserving stability and serving U.S. strategic interests remain critical. Contradictions in U.S. policy appear when U.S. tenets seem to be reprioritized depending on circumstances. Continuing a trend of a policy driven by emergent circumstances will leave the U.S. without a true strategic focus and vulnerable to misperceptions. The lack of a long-term strategic plan marginalizes U.S. influence vis-à-vis expanding Chinese influence in Africa. China's non-interference policy provides a lucrative option for African nations, isolating the United States.

¹⁴⁵ Piombo, "US Africa Policy," 1.

¹⁴⁶ Jessica Piombo, "Evolving Civilian and Military Missions," in *The U.S. Military in Africa: Enhancing Security and Development?*, ed. Jessica Piombo (Boulder, CO: First Forum Press, 2015), 39–40.

IV. ANALYSIS

A. INTRODUCTION

So far, this study has suggested a fundamental Chinese worldview that permits SOEs to guide foreign policy in politically sensitive environments. Supporting these findings are statistical models that unify financial, governmental, and security indicators to describe Chinese influence on stability in Africa. This study focuses on sub-Saharan Africa, which provides important analysis regarding our priority partners on the continent, and most closely matches Chinese foreign policy for the region as a whole. This analysis relied on open-source information, which highlights an important tool for military analysts. Moreover, this methodology illustrates little need for technology to fill information gaps for security planners, and policy makers in Africa. Increasingly scrutinized for projecting military power in sovereign nations, the United States could lower its profile. Platforms such as unmanned aerial vehicles and signals intercept equipment have unnecessarily exacerbated our partnerships with transitional governments. This analysis has also highlighted significant information gaps in Africa that have not traditionally received attention. Geospatially referenced survey data could inform transitional governments for milestone development, as well as Special Operations Command-Africa (SOCAF) of sociopolitical developments that could affect regional stability.

One expectation and complication for this study is the significant amount of foreign aid programs enacted by the PRC. These are deeply shrouded in secrecy by the PRC Ministry of Foreign Affairs, and present an untraceable variable for data collection. As Austin Strange (et al.) publication “Trading Under-reported financial flows (TUFF)” points out, though China’s direct investment has not reached the level of the United States, by 2010 the amount of vague-OOF flows had surpassed the official development assistance of the United States.¹⁴⁷ OOF represents representational grants that are not necessarily focused on developmental aid, but rather enabling foreign business ventures

¹⁴⁷ Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited.”

and balancing risk on lines of credit. This suggests that China is not entirely focused on revenue, but is increasingly focusing on its longevity and embeddedness in host nation economies. In extreme circumstances, political stability will trump all other governmental considerations. As Strange, co-founder of the AidData program, points out “Recipient regimes can leverage more fungible aid inflows by allocating them to ‘tenure extension activities’ that promote leader survival.”¹⁴⁸

Data on Chinese investment is scarce, primarily because China does not submit to the OECD oversight for outward direct investment tracking. Recently, the AidData program has made substantial contributions to uncovering data on Chinese investments. Using “TUFF” methodology, an automated process was created for identifying open source data collection of Chinese official funding, classifying them as “ODA-like, which are similar to U.S. aid programs, and “OOF-like” which represent larger national commercial goals.”¹⁴⁹ However, significant amounts of data remain classified as “vague” and are typically understood to be diplomatic or “representational” extensions such as debt forgiveness and non-concessional loans. This study has limited this dataset to the years 2006 to 2015, as other studies in the field have replicated these data successfully suggesting a higher expectation for statistical accuracy. Numerous fields in the SCAD and AidData sets have been aggregated to consider a more generalized perspective of Chinese investment in the region. For instance, the original coding in the field of “Spontaneous Protest” and “Organized Protest” have been grouped in order to simplify the impact on the dependent variable to become “Protest.” Likewise, aid programs have been grouped into larger bins, such as “Education” and “Civil Governance” in order to tally observations of Chinese support across all African countries.

Considered globally, the gross domestic product (GDP) serves as a significant indicator for conflict onset within the borders of individual sovereign nations, especially

¹⁴⁸ Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited,” 13.

¹⁴⁹ Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited,” 13.

in low per capita income nations.¹⁵⁰ Generally, GDP has the effect of lowering potential for civil unrest as pointed out in Fearon's study. Africa is unique, in that the majority of its regional economies are supported by low GDP nations. For this reason, it is paramount to consider GDP in all regression models to ensure the robustness of other independent variable that are considered for this study. Despite GDP's negative correlation with the onset of civil unrest, our findings suggest that Chinese FDI acceleration, corruption, and political stability also share strong correlations with Chinese aid endowment and civil unrest. Limited data points amplify the difficulty of statistical regression for much of this regional study. This study's dataset includes four separate data sources, outlined as follows.

First, the AidData sets represents the breadth of Chinese unreported flows to numerous countries, to include the continent of Africa, for a total observation count of 538 over 54 variables. Of special interest this study were the African countries receiving flows, the count of programs by sector, and the aggregate amount of these flows since the year 2006. In order to disaggregate a number of the AidData set, R code was used create counts tallies for individual aid intents and types which include "Health Count," "Education Count," "Civil Governance Count," and "Unspecified." This was also done for the AidData sets aid "intent" column, for statistical robustness. The investigating team felt that Austin Strange et al.'s AidData set provides a particular granularity that most watchdog committee studies have not considered, and thus the inclusion in this study.

Second, the World Developmental Indicators database provided data that could describe economic decisiveness and competition on the African continent. The research team logically organized this dataset "WDI," by country name and the year of observation. Variables included GDP makeup by market sector, exports and import data as well as private and public sector influence. This data set describes the market environment of host nations as one consideration for Chinese investment attraction.

Third, data from the World Governance Indicators database created the "WGI" dataset. This was again organized by country and year observed, and reflected variables

¹⁵⁰ James D. Fearon and David D. Laitin, "Ethnicity, Insurgency, and Civil War," *American Political Science Review* 97, no. 1 (2003): 83.

such as host nation corruption, polity, ease of business, and efficient government. This dataset describes the health of host nation governments and their ability to maintain their borders, providing another potential attractor of Chinese investment. This also provides a glimpse into host nation foreign and domestic policy.

Finally, the Social Conflict in Africa Database (SCAD) provided observations of the onset of unrest. This database is unique in that it captures low intensity conflict onset such as riots, strikes and governmental repression, a generalized but accurate depiction of the current security operating environment challenging AFRICOM. For this study, conflict lasting for extremely long periods, such as the civil war in Sudan, were thrown out, as they stood to overshadow the soft power investigation of the research. Next, new columns were created similar in fashion to the rows created in the AidData set, to include variations on the “etype” column disaggregated into “Strike count,” “Riot Count,” “Government Violence,” and “Insurgent Activity.” This dataset describes the potential addition of social conflict as yet another security challenge for AFRICOM to address.

This analysis is broken down into three sections as each of our hypotheses are investigated. First, the connection between Chinese aid, FDI flows and market disruption are explored. Next, host governmental attraction to Chinese investment as highlighted and some potential pitfalls regarding African domestic policies are described. Finally, the potential for the onset of civil unrest is investigated, relying on statistical evidence found in the preceding paragraphs. Both quantitative and qualitative references are used to illustrate local phenomenon exacerbated by the Chinese emergence model.

B. EXPANDING CHINESE MARKETS

Chinese corporations, largely backed by the central government, have been increasing their holds in market sectors throughout Africa. For instance, Ghana’s trade deficit has grown from \$70 million in 2000, to \$474 million in 2006, to \$4 billion in 2012.¹⁵¹ In Kenya, China’s exports to Kenya were at \$139 million in 2001, and \$2.4 billion in 2011, while imports from Kenya were at \$6 million and \$60 million,

¹⁵¹ Hanauer and Morris, *Chinese Engagement in Africa*, 31–32.

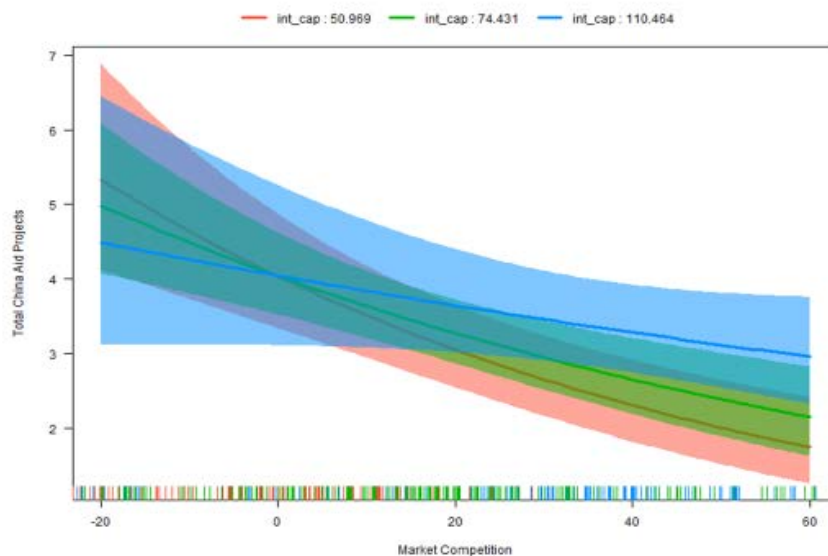
respectively, indicating a trade deficit that has grown from just over \$130 million to nearly \$2.4 billion in 10 years.¹⁵²

This study tested Chinese terms of trade in the African region in order to more fully illustrate how operating in a trade deficit in China can lead to larger issues. This hypothesis assumes that China seeks resources as well as markets for finished goods, and may show preference to host nations that accommodate their economic goals. In order to test this, the AidData China dataset provided the dependent variable of total Chinese aid projects. Observations of projects were counted and grouped by host country and year. Next, an indicator for internal capability was created by using the World Developmental Indicators dataset. Internal capability was calculated by adding together GDP indicators by country and year that represented natural resource and services capitalization for the respective host nation. Finally, our hypothesis was tested by adding an independent variable of market competition. This was calculated by subtracting host-nation goods and services percentage of GDP from the same nations merchandise percentage of GDP, and then dividing this by the sum of the two indicators. Market competition therefore illustrates a spectrum index, where larger numbers represent economies heavily invested in resource extraction and export, while smaller numbers represent more industrialized economies.

China not only targets countries that are resource-laden with timber, ore and oil, but that also do not possess the technology to turn these into sources of revenue. Evidence further implies that countries that do not pose a threat to other Chinese resource investment markets, receive higher amounts of aid. This suggests that China is not necessarily worried about the “global-ness” of any one country’s export market, but rather, its potential strength in within a region in Africa. This regression shows that there is a breaking point for Chinese investment attraction, as GDP and market competition have an interrelated effect on Chinese OF. This model is expanded upon in Table 4, illustrating that economies that operate under regional merchandise import deficits as well as goods and service export deficits appear to receive higher amount of Chinese aid.

¹⁵² Government Accountability Office, *Sub-Saharan Africa Case Studies of U.S. and Chinese Economic Engagement in Angola, Ghana, and Kenya; a Supplement to GAO-13-199*, 38, 40.

This suggests that China takes advantage of intra-regional terms of trade to lower their operating price margin and maintain market exclusivity. This is important as security planners consider the stability of the region as a whole. If, as suggested, China invests only in what is convenient, while altering the terms of trade between numerous nations, then long term engagement plans will be challenged to succeed. Austin Strange similarly considers the impact of Chinese aid shock, the sudden removal of aid from a host nation.¹⁵³ China will leave behind nations as it converges with U.S. interest in numerous of African countries. Perhaps the U.S. government will find opportunity in this reshuffling of strategic partners in sub-Saharan Africa (SSA).



Lower scores of “Market Competition” describe heavily industrialized nations while higher scores represent commodity-based economies. China favors industrialization, particularly those with untapped, unrefined resources that offer a domestic market for finished goods.

Figure 4. Chinese Aid versus African Nation Market Competition¹⁵⁴

¹⁵³ Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited,” 12–14.

¹⁵⁴ Adapted from “World Development Indicators, The World Bank,” <http://data.worldbank.org/data-catalog/world-development-indicators>; “AidData.org.”

A study conducted by Weinji Chen, David Dollar and Heiwai Tang, suggested that Chinese investment “is concentrated in the more capital-intensive sectors in countries that are both politically unstable and scarce in capital.”¹⁵⁵ Moreover, this study highlighted that Chinese firms are motivated to invest in a country’s “comparative advantage,” offering existing hydroelectric and transportation projects in East Africa as attractive examples.¹⁵⁶ To add perspective, this study sheds light on the interaction of host nation market advantages and existing Chinese aid programs. In Figure 4 above, the x-axis represents market competition, where the right side of the scale describes economies that are heavily weighted toward regional natural resource exports and related services. The left side of the x-axis represents economies that are more industrialized and rely on the export of finished products, to include manufactured goods, clothing items, and produce. The moving up the y-axis illustrates an increase in the expected number of Chinese aid programs endowed in the same economy. Three colored lines delineate three levels of internal capability of the same target economy. Internal capability describes the extent that GDP depends on internal resources to produce capital for the economy. As this figure illustrates, Chinese aid is more likely to be attracted to economies with little natural resources, or perhaps extraction technology, but are more heavily dependent on the production of finished goods. The coefficients for both variables, Internal Capability and Market Competition, are statistically significant at the $p < 0.05$ level, as shown by Model 1 in Table 3. This coefficient become more intense when the total aid type is disaggregated, the greatest statistical significance attributed to “mixed intent” as shown in Table 3. The AidData coding scheme defines mixed intent as aid that “cannot be categorized... because (a) the project has both commercial and development intent, or (b) the project has both representational and developmental intent.”¹⁵⁷ This is important because these types of aid go unnoticed by the OECD and substantially increase the

¹⁵⁵ Wenjie Chen, David Dollar, and Heiwai Tang, “Why Is China Investing in Africa? Evidence from the Firm Level,” Brookings Institute, August 2015, 13, http://www.hwtang.com/uploads/3/0/7/2/3072318/odi_cdt.pdf.

¹⁵⁶ Chen, Dollar, and Tang, “Why Is China Investing in Africa? Evidence from the Firm Level,” 13.

¹⁵⁷ Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited,” 45–55.

amount of foreign inflows when compared to standard reporting by the IMF and World Bank.

This study dissects the market sector competition generated by China's investment strategy in Africa and its potential to influence local environmental conditions. So far, the study has suggested that Chinese aid endowment is highly dependent on the domestic economic potential of a target country. Furthermore, this study has suggested that Chinese SOEs, and private corporations invest aggressively in target countries that have received Chinese aid endowments, typically those that seek infrastructure improvement. This study has illuminated a calculated Chinese approach, where aid paves the way for manufacturing and service sector growth, but which seems to generate unintended increases in social unrest as well.

In his book *China's Second Continent*, Howard French suggests that sector strength relies on local markets and that new sectors will be created when there is new demand.¹⁵⁸ For the Chinese, decades old infrastructure projects have created this demand, spanning from simple road and bridge improvement initiatives to the extensive development of the Tanzania-Zambia (TANZAM) railway. For instance, the road builders of Mozambique produced considerable competition for governments contracts, which of course were funded by Chinese and other nation's developmental aid. Chinese migrant workers were able to keep their costs low enough to corner markets on similar sector markets because of cooperative effort to dominate the other portions of that sector. To lower costs, Chinese road companies diversified holdings to own hotel properties, transportation, and used truck and equipment rentals. On the social level, this also became the preferred method for entrepreneurs to get their start in Africa. French captures the case of Hao in Mozambique, a Chinese migrant that found the road service sector could help him secure the trust of local governance. This relationship later awarded him 50,000 acres of agricultural property when the local government decided to invest.¹⁵⁹ At the time of Howard French's publication, China increased its aid count from \$120

¹⁵⁸ Howard W. French, *China's Second Continent: How a Million Migrants Are Building a New Empire in Africa* (Vintage, 2014).

¹⁵⁹ French, *China's Second Continent*, 20–25.

million in 2006 to \$2 billion in 2012. During the same period civil unrest counts jumped from just four to 23, with 50% of these incidents accounting for government violence aimed toward its citizens. Subsequently, the country's market mixture slid toward a market competition index that represented an acceleration in the manufacturing sector.

Ana Alves describes an even stronger argument for Mozambique's having attracted Chinese interest. As she mentions, "of the 8 Portuguese speaking countries in the world, 5 reside in Africa," with Mozambique included in that list.¹⁶⁰ The Portuguese shared a common colonial interest with the Chinese in Macau Province until 1999, two years after the British relinquished Hong Kong. The Chinese government, only one year away from establishing the FOCAC, understood that this commonality through language and economic interests was an important advantage worth nurturing. It is no coincidence that the center for Chinese coordination with Portuguese speaking countries is now established in Macau. More recently this closeness has disparaged local innovation and has largely depreciated the value of the local service sectors. In addition, Chinese developmental endowments can include raw materials such as steel, allowing Chinese industry to further capitalize on the new market growth, ironically by their own migrant service sector.¹⁶¹

This suggests that China is less than systematic about its approach to foreign policy, and prefers to take a pragmatic view of economic expansion. This study of Mozambique's industrialization provides a possible prediction of similar stability outcomes in Kenya. This study's statistical analysis infers that in African nations where both high amounts of individual autonomy and political instability exist, there is an exponential increase in civil unrest (see Table 2). This is not surprising given authoritarian regimes are much more politically capable, and willing, to mitigate their weaknesses through civil repression. However, it is no coincidence that Chinese FDI has matched Chinese aid endowment since 2006, throughout Kenya's well documented political turbulence. This is also the case in Niger, Sudan and Cameroon though at lower

¹⁶⁰ Alves, "Chinese Economic Diplomacy in Africa: The Lusophone Strategy," 69.

¹⁶¹ Nelson B. Villoria, "China and the Manufacturing Terms-of-Trade of African Exporters," *Journal of African Economies* 18, no. 5 (2009): 781–823.

orders of magnitude. As Villoria has illustrated in detail, the Chinese deflation of export markets in Kenya are substantial. In fact, in the sectors of apparel, basic metals, leather goods and machinery Chinese supply capacity had lowered the value of exports by as much as 58% in 2006.¹⁶²

C. UNGOVERNED SPACES

A key tenet to U.S. foreign policy in Africa, and an issue that has plagued many African nations, is good governance. The United States seeks to promote democracy and stability through its economic and political policies, and military engagements in Africa. Corrupt regimes, undemocratic practices, and poor governance generally can lead to instability, fragile states, and enclaves that can harbor threats to local, regional, and global security. While internal factors do drive poor governance and instability, this section will consider external factors that can influence enclaves known as ungoverned spaces. Of significance, Chinese actions, specifically the disbursement of aid without conditions and China's non-interference policy can increase the division between a nation's central government-controlled regions and its ungoverned regions, leading to instability and undermining the international communities' efforts to promote good governance.

The concept of ungoverned spaces and weak and fragile states in Africa and their potential threat to global security is a growing topic of concern for the United States and larger international community. Michael Leiter, former director of the National Counter Terrorism Center observed that ungoverned spaces are "certainly a problem and an area that the U.S. government is particularly challenged in addressing."¹⁶³ Jessica Piombo identifies the "ungoverned nature of Africa" as "large swathes of the continent and its people lay outside of the control of formal state agencies; borders are largely unpatrolled and unenforceable; and the governments that do exist are often run by individuals who

¹⁶² Villoria, "China and the Manufacturing Terms-of-Trade of African Exporters," 805–7.

¹⁶³ Robert Windrem, "U.S. Aims to Root Out 'Ungoverned Spaces' as Hotbeds of Terrorism," NBC News, August 24, 2014, <http://www.nbcnews.com/news/investigations/u-s-aims-root-out-ungoverned-spaces-hotbeds-terrorism-n181941>.

regard public office as an economic commodity rather than a public duty.”¹⁶⁴ These spaces have the potential to harbor illicit activity, violent non-state actors (VNSAs) drug traffickers, and terrorist organizations. Mark Duffield makes the connection “that because of ungoverned space, fragile states are vulnerable to colonization by agents of insecurity, specifically terrorists and drug traffickers.”¹⁶⁵ His idea of “contingent sovereignty” underscores that these states can threaten security.¹⁶⁶ A more pointed concern is what does China’s activities in Africa mean for ungoverned spaces?

The definition of ungoverned space varies, but most recognize that there is a spectrum of control and threats that can challenge state authority, and that these areas are more or less isolated from state governance and economic structures. The United States Department of Defense defines ungoverned spaces as:

places where the state or the central government is unable or unwilling to extend control, influence the local population, or otherwise effectively govern, and where a provincial, local, tribal, or autonomous government does not fully or effectively govern, due to inadequate governance capacity, insufficient political will, gaps in legitimacy, the presence of conflict, or restrictive norms.¹⁶⁷

The DOD states that ungoverned spaces are potential safe havens. The Department of State defines safe havens as “physical areas where terrorists are able to organize, plan, raise funds, communicate, recruit, train, transit, and operate in relative security because of inadequate governance capacity, political will, or both.”¹⁶⁸ Piombo recognizes the presence of alternate forms of authority, stating that “often there is order within apparent chaos, but it is an order that escapes the notice of the Western observer,

¹⁶⁴ Jessica Piombo, “Ungoverned Spaces and Weapons of Mass Destruction in Africa: Exploring the Potential for Terrorist Exploitation,” October 2008, 1.

¹⁶⁵ Diggins, Chloe. “Ungoverned Space, Fragile States, and Global Threats: Deconstructing Linkages.” *Inquiries*, no. 3 (2011). <http://www.inquiriesjournal.com/a?id=413>.

¹⁶⁶ Mark Duffield, *Development, Security and Unending War: Governing the World of Peoples* (Cambridge: Polity Press, 2007), 159.

¹⁶⁷ Robert D. Lamb, “Ungoverned Areas and Threats From Safe Havens” (Washington, DC: Office of the Under Secretary of Defense for Policy Planning, 2008), <http://oai.dtic.mil/oai/oai?verb=getRecord&metadataPrefix=html&identifier=ADA479805>.

¹⁶⁸ United States Department of State, Bureau of Counterterrorism and Countering Violent Extremism, “Country Reports on Terrorism 2015” (Washington, DC: Office of the Coordination of Counterterrorism, June 2, 2016), 307.

because it may rely on localized, traditional or non-formal systems of governance.”¹⁶⁹ She also observes that states may deliberately exclude territory in the periphery, choosing instead to maintain effective sovereignty over “specific geographical locations that are economically productive.”¹⁷⁰ Chloe Diggins states that ungoverned spaces are “complex social spaces that are shaped by internal relations between populations, alternative authority structures and informal economies, as well as external influences that contribute to how these spaces are both constructed and perceived by the outside world.”¹⁷¹ Monika François and Inder Sud state that “fragile states can be considered as precursors to eventual failure,” which can lead to greater challenges for the region and international community.¹⁷²

In Africa, ungoverned spaces are generally associated with areas in the Sahel region, Niger delta, Gulf of Guinea, and Swahili Coast.¹⁷³ Countries in these regions are not “abandoned” by international investors, but, as James Ferguson notes, are sought after and have proved to be “strong performers” in “economic growth.”¹⁷⁴ Ferguson observes the connection between capitalism and “mineral-rich enclaves,” and points out that foreign investment focuses on resource-rich areas, disregarding other regions that do not have similar resources, which can effectively become “off the grid.”¹⁷⁵ While Ferguson revealed a tie between mineral wealth political complexity, Piombo’s recognition of areas that are economically productive is more relevant in Africa today as economic activity has grown to include not just a focus on natural resources, but market sectors such as manufacturing, technology, transportation, and agriculture.

¹⁶⁹ Piombo, “Ungoverned Spaces and Weapons of Mass Destruction in Africa,” 4.

¹⁷⁰ Piombo, “Ungoverned Spaces and Weapons of Mass Destruction in Africa,” 4–5.

¹⁷¹ Diggins, “Ungoverned Space, Fragile States, and Global Threats: Deconstructing Linkages,” 7.

¹⁷² Monika François and Inder Sud, “Promoting Stability and Development in Fragile and Failed States,” *Development Policy Review* 24, no. 2 (March 1, 2006): 145.

¹⁷³ Teresa Whelan, “Africa’s Ungoverned Space,” *Nação E Defesa*, 2006, 64–65, <http://hdl.handle.net/10400.26/1102>.

¹⁷⁴ James Ferguson, “Seeing like an Oil Company: Space, Security, and Global Capital in Neoliberal Africa,” *American Anthropologist* 107, no. 3 (2005): 380.

¹⁷⁵ Ferguson, “Seeing like an Oil Company,” 380.

This study considered to what degree the socio-political environment may be affected by Chinese aid and investment. In order to this, model 2 was created, where unemployment data from the WGI dataset provided the dependent variable. Governmental indicators from the World Governance Indicators dataset also provided the independent variables of perception of corruption and government effectiveness. The polity dataset also provided a measurement of a host nation regime's liberal values, which is later described in more detail. Lastly, the USAID and AidData set considered the addition of Aid to affect the onset of civil unrest. Early graphical representations qualitatively illustrated a time lag between aid endowment, FDI and changes in the local environment, as should be expected. To account for this time lag, the independent variables of Chinese FDI and the dependent variable of unrest were broken down to include effects during time lag year +1 through year +4. For model 2, the expectation is that Chinese aid may represent a stronger correlation with unemployment in years subsequent to aid endowment. Table 1 illustrates a few obvious correlations, such as total unrest potentially increasing the amount of unemployment. However, this table also illustrates an interesting correlation involving USAID and government effectiveness. Therefore, the connection between governmental effectiveness and economic viability in developing nations is not the same as in other places of the world. Table 1 uses unemployment as a way to demonstrate the impact of aid programs in the region. Here, USAID does in fact, impact unemployment, ostensibly by improving government outreach and job availability. However, this also shows that government effectiveness in Africa tends to increase unemployment. Qualitatively, this makes sense in areas such as Addis Ababa, Ethiopia, and Nairobi that have experienced rapid urbanization. Coincidentally, China has seized these opportunities to invest heavily in the public housing sector, most notably in the quarrying and production of concrete, through the joint venture of Kenya's Athi River Mining Limited (ARM) and the China Road and Bridge Company.¹⁷⁶ This investment of government will only serve urbanites, and will not create additional jobs when the construction, and materials, are being outsourced.

¹⁷⁶ David Malingha Doya, "Lafarge, ARM Cry Foul as China Road Imports Cement to Kenya," Bloomberg.com, July 6, 2015, <http://www.bloomberg.com/news/articles/2015-07-06/lafarge-arm-cry-foul-as-china-rail-imports-cement-into-kenya>.

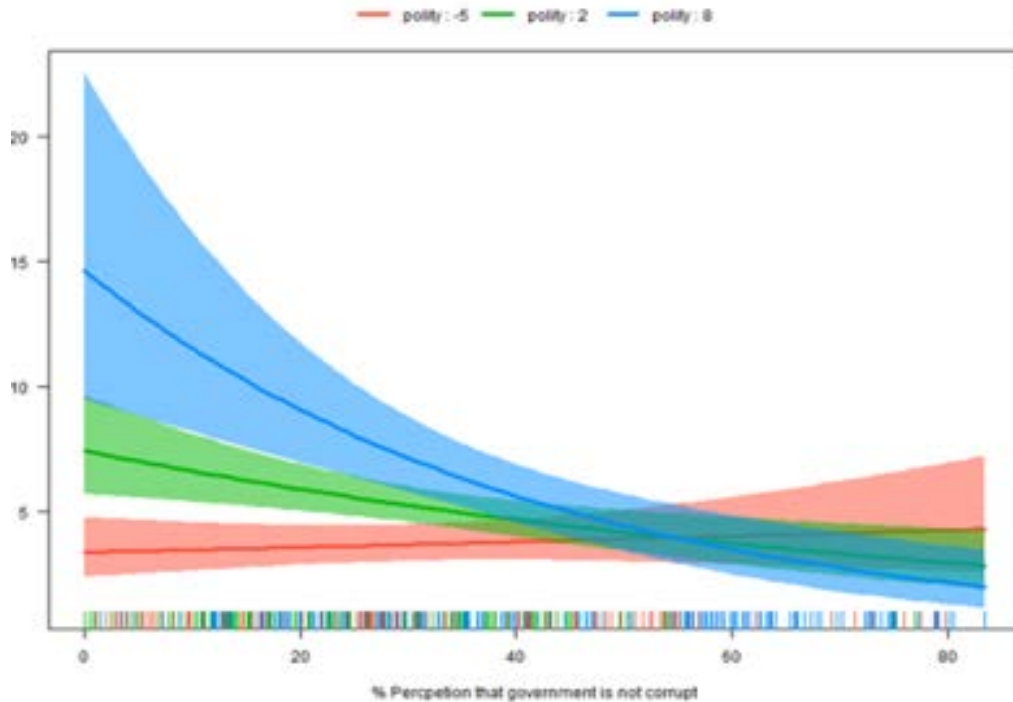


Figure 5. Social Unrest versus Corruption Perception¹⁷⁷

Having now considering the importance of unrest effecting unemployment, and the possibility that governmental efficiency may impact this interaction, this study further investigated which variables most effect civil unrest directly. Regression model 3 was created by establishing the dependent variable of civil unrest by using the SCAD data base. As mentioned before, this database is unique in that it considered social conflicts that are below the threshold of the more often used ACLED and GED databases. Events in this database include clashes between government and insurgent formations, riots and even labor strikes. As mentioned before, these data points were time lagged in order to represent the effect of independent variable at year +1 through year +4. Model 3 is represented in Table 2, where the independent variables again included polity (regime type), unemployment, USAID, Chinese aid, and the perception of governmental corruption in the host nation. Model 3 illustrates a statistically significant correlation

¹⁷⁷ Adapted from Idean Salehyan et al., “Social Conflict in Africa: A New Database,” *International Interactions* 38, no. 4 (2012): 503–511; “World Governance Indicators, The World Bank,” <http://data.worldbank.org/data-catalog/worldwide-governance-indicators>.

between anti-corruption and civil unrest, which grows stronger when the host nation regime becomes more democratic.

Figure 5 describes the interaction between governmental credibility, human rights in a citizenry, and the amount of social unrest in an African nation. Moving right along the x-axis represents an increase in the public perception that the host government is not corrupt. Moving up along the y-axis will represent an increase in the expected number of social unrest events in the host nation in a given year. The colored lines represent differing levels of representative governments, where a score of -10 represents totalitarian rule and +10 represents a fully elected democratic regime. Table 2 represents the control variables considered to explore this relationship, with “polity” and “Anti-corrupt” proving statistically significant ($p < 0.01$) across all lag years. The chart highlights that, generally, unrest in Africa is highly impacted by the amount of control a government exerts over the population, and is amplified by the perception of the government’s legitimacy. In Figure 5 above, transitioning governments find themselves in a difficult position. While attempting to become more democratic, countries with less than a 50% corruption rating, will experience an increase in social unrest. In the remarkably low corruption scores, transitioning governments are likely to experience a threefold increase in social unrest. With these barriers, it is even more important for the United States to tread lightly with political reformation policies that Chinese aid programs are smart to omit. On the other hand, programs that increase the legitimacy of our partner nations could provide an alternative. It is also noteworthy, that USAID appears to have the first year impact of increasing social unrest, though a weak positive correlation it is still statistically significant ($p < 0.01$).

Table 1 evaluates the impact of numerous control variables on unemployment in Africa. Notably, the correlation between unemployment and total-unrest is statistically significant. Furthermore, the WGI indicator for government effectiveness, appears to have a positive relationship with unemployment in Africa, the impact only amplified by USAID dollars. Initially, this may seem counterintuitive, but USAID typically targets countries that are experiencing these types of difficulties, resulting in the correlation. Moreover, Chinese aid does not share a significant relationship with unemployment in a

host country. This is also counter to the Chinese narrative that project enhance skilled sectors and increase job opportunities. This evaluation was expanded to include three years of lag time to ensure an appropriate amount of market reaction time to economic and governmental stimulus.

Certainly China is not the only external actor that can influence stability in Africa, specifically the interaction between a state government and ungoverned spaces. Many Western practices are also heavily criticized. François and Sud point out that reform and democratization practices pursued by Western nations can be beyond the state's capacity to implement and even lead to exacerbating internal conflicts.¹⁷⁸ Duffield claims that Non-Government Organizations can actually destabilize internal systems unique to a state by providing assistance outside of the state, and that these alternatives to state functions can create what he calls zones of "contingent sovereignty."¹⁷⁹ With China's growing investment in Africa, China's influence and the effects of its foreign policy demand the consideration of China's relevance to stability and ungoverned spaces in Africa.

To the extent that external actors influence and affect a state's internal dynamics with regards to governance, security and development, Chinese aid and investment will directly or indirectly affect the nature of ungoverned spaces in Africa. As stated above, China's model for development in Africa follows its own experiences, and maintains a policy of non-interference in a state's affairs. But China cannot simply just look the other way. Piombo noted that "the feedback loop between governance, security, and development defies simple causality, and means that efforts to address any single side of the triangle must take into account the other two."¹⁸⁰ This demands further consideration by all international actors, whether following a Western model or a Chinese one.

A 2015 study conducted by Axel Dreher, Andreas Fuchs, Roland Hodler, Bradley C. Parks, Paul A. Raschky, and Michael J. Tierney highlighted that African leaders are able to more easily manipulate funding from China to suit their domestic political

¹⁷⁸ François and Sud, "Promoting Stability and Development in Fragile and Failed States," 148, 153.

¹⁷⁹ Diggins, "Ungoverned Space, Fragile States, and Global Threats: Deconstructing Linkages," 6.

¹⁸⁰ Jessica Piombo, "Addressing Security Threats in Africa," in *The U.S. Military in Africa: Enhancing Security and Development?*, ed. Jessica Piombo (Boulder, CO: First Forum Press, 2015), 1.

purposes. Furthermore, the birthplace of an African leader receives nearly four times more financial support from China while that leader is in power.¹⁸¹ Similar to the government's preference for regions of economic productivity, the result of this practice is much to the detriment of the remaining population. Sarah Raine suggests that "As African elites seek to capitalize on foreign interest...these elites should improve financial reserves and political capacity. The international community may yet be faced with...wayward leaders akin to Sudan's al Bashir."¹⁸² Ungoverned enclaves consistently present issues that developing nations are unable to handle. Furthermore, successful collective action strongly favors enclaves, those groups that never fully embed within a nation, yet take part in a transnational base of support.

There are positive aspects of China's actions in African nations. Richard Schiere notes that in many sub-Saharan fragile states, China and other donors are active in building "infrastructure, social services, stable public finances, sufficient economic growth and employment creation."¹⁸³

This development however, is only one part of the triangle. Sarah Raine states that compared to China, the United States is more concerned with ungoverned spaces, democracy and good governance, development and disease.¹⁸⁴ While China does follow a non-interference policy, it has, to some extent, involved itself in interstate or intrastate affairs, either directly or indirectly. When there is a clear African mandate China has participated in UN peacekeeping operations, such as Mali in 2013, where it committed combat troops for the first time, and South Sudan, where in 2015 China sent the first ever Chinese Infantry Battalion.¹⁸⁵ This has also been the case in Sudan. In 2013, Western

¹⁸¹ Axel Dreher et al., "Aid on Demand: African Leaders and the Geography of China's Foreign Assistance" (Centre for Economic Policy Research, July 2015), 21, http://cepr.org/active/publications/discussion_papers/dp.php?dpno=10704.

¹⁸² Raine, *China's African Challenges*, 220.

¹⁸³ Schiere, "The Impact of China on the Donor Landscape in African Fragile States," 49.

¹⁸⁴ Raine, *China's African Challenges*, 204.

¹⁸⁵ Schiere, "The Impact of China on the Donor Landscape in African Fragile States," 50; Yun Sun, "Mali after the Election: Priorities of China and the U.S. | Brookings Institution," Brookings, November 30, 2011, <https://www.brookings.edu/blog/up-front/2013/07/26/mali-after-the-election-priorities-of-china-and-the-u-s/>; Karen Allen, "What China Hopes to Achieve with First Peacekeeping Mission," BBC News, December 2, 2015, <http://www.bbc.com/news/world-africa-34976580>.

donors withdrew their support from Rwanda when the government was accused of supporting a rebel group in the Democratic Republic of Congo.¹⁸⁶ China provided \$35 million in interest-free loans and grants to Rwanda, even as China provided support to the DRC.¹⁸⁷ While China claims to have a non-interference policy, even if unintentionally it can have a negative impact on regional stability and create contradictions in its own policy.

As China's influence in Africa increases with its aid, investments, and physical presence, it will have to be cognizant of the unintended effects its policies have on dynamics within, across, and between states. China seeks to gain an economic advantage out of its relationship with African nations, and to the degree that it is altruistically concerned with developing African nations and fostering stability, China must recognize the second and third order effects of its policies. Economic policies that marginalize geographic and demographic areas of a state will further isolate portions of the population, widen the gap between ungoverned or alternate authority structures and the state government, and enable illicit, violent, or terrorist activity.

D. INSTABILITY

Social unrest in Africa is pervasive and historically entrenched. As stated early in this study, stability implies that a host nation government has met the challenges of current problems and events through extensions of its power to maintain control. This study has alluded that perceived economic improvement does not necessarily equate improved stability. Likewise, U.S. defense planners should consider that the U.S. government's objective of stability might be misunderstood. The table below shows that there is no initial statistical evidence that the introduction of Chinese official funding results in a change in civil unrest onset, with one exception: riots appear to happen less when Chinese "vague flows" increases in a country. Strange's study highlights the

¹⁸⁶ David Smith, "US Blocks Military Aid to Rwanda over Alleged Backing of M23 Child Soldiers," *The Guardian*, October 4, 2013, sec. Global development, <https://www.theguardian.com/global-development/2013/oct/04/us-military-aid-rwanda-m23-child-soldiers>.

¹⁸⁷ J. Gu, R. McCluskey, and F. M. Mushi, "Is China's Role in African Fragile States Exploitative or Developmental?," 2015, 3, <http://opendocs.ids.ac.uk/opendocs/handle/123456789/5925>.

question: is there a possibility that China chooses countries that have agency within their government to redirect “vague aid” to solve domestic instability? Could this repress local security problems until they become a regional issue?

As the model has demonstrated, China prefers developing economies that have not found their legs in the regional export market. When the year over year competitiveness index is considered by sector, countries that were shown to exhibit attractiveness to Chinese OF are concentrated in Basic Manufactures and Fresh Food production. After paring down potential countries that exhibit the market condition described, it is interesting that though other countries have more successful markets, China has focused effort in Tanzania, Zambia, Zimbabwe and Ethiopia.

To consider the effect of FDI on unrest as they corresponded to other national indicators (Table 5), the modeling equation was used to determine the expected amount of FDI that China would theoretically invest in each host nation. Comparing the differences between the actual and theoretical amount, it is clear which nations were regarded as true priorities versus opportunistic business ventures. Among the top rated were Algeria, Nigeria, Tanzania and Kenya. Also considering Sudan, these countries have posed an incredible amount of political risk to China throughout long periods of civil unrest and regime instability.

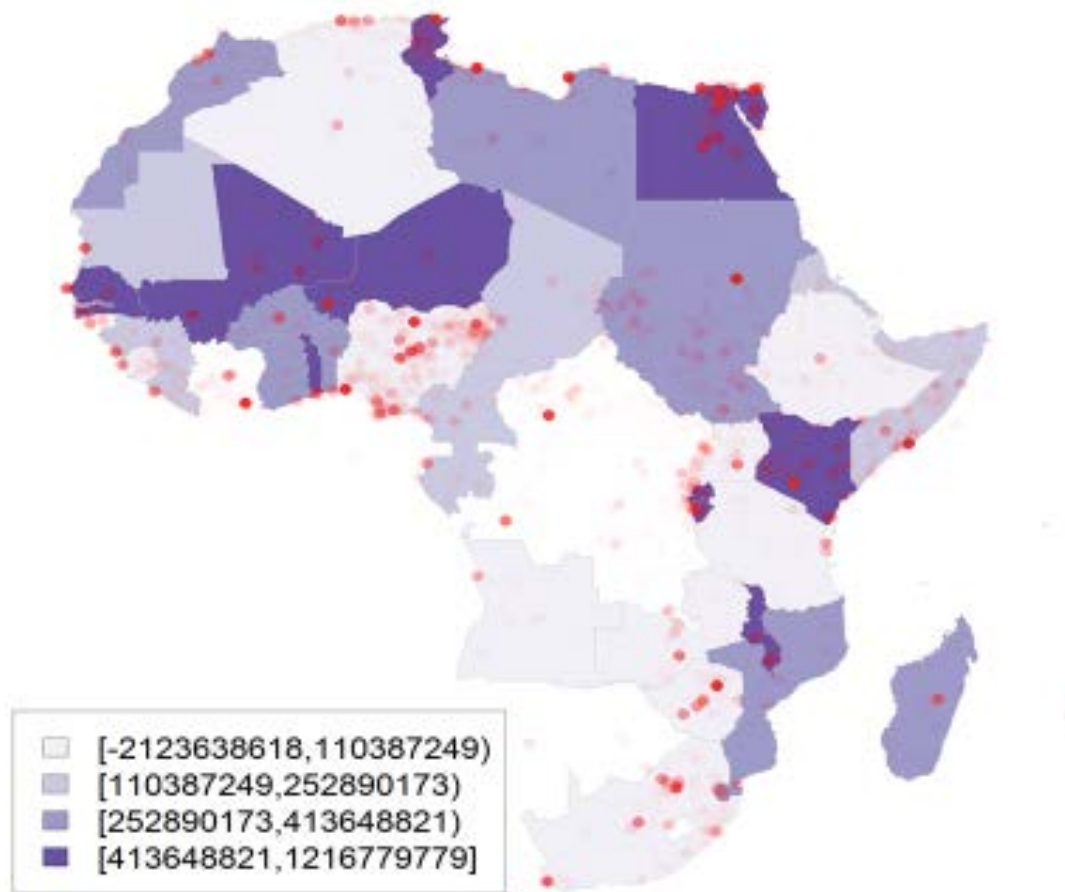


Figure 6. Chinese FDI Residual Analysis Since 2006¹⁸⁸

As illustrated in this discussion, Chinese FDI shares a strong correlation with both Chinese Aid and social unrest in Africa. Though these relationships do not provide insight, to what extent China's economic presence is exacerbating existing conditions, the information can provide perspective on Chinese priorities on the continent. The above diagram represents the intensity of residual calculations of Chinese FDI given control variables listed in Table 5. This calculation was completed by using an interpolative tool to predict the expected amount of FDI by country since 2005, based on this study's model. These numbers were then subtracted from the actual amount of reported FDI found in this study's dataset. The difference was then plotted by color intensity by each

¹⁸⁸Adapted from Salehyan et al., "Social Conflict in Africa"; Strange et al., "Tracking Underreported Financial Flows China's Development Finance and the Aid-Conflict Nexus Revisited."

country respectively. The red dots illustrate social conflict events reported in the SCAD database. This diagram provides powerful evidence that Chinese investment pursues regional volatility in order to capitalize on market conditions. This map shows that Kenya, Mozambique, Malawi, and Sudan have received much higher Chinese investment than what should be expected from countries with similar stability and market indicators.

This data further suggests that weakening regimes may provide increased SOE and private business opportunities, especially where aid initiatives already exist. Coincidentally, the U.S. heavily focuses on advising host-nation governments to observe human rights, democratic processes, and representative local governance. Though these things are important, for transitional governments, there are serious political stability and legitimacy challenges that may be more important. This study's findings support Ali Zafar's observation that Chinese SOEs typically operate in "enclave and extractive industries...and tend not to have many linkages with local firms, especially in global production chains."¹⁸⁹ Zafar goes on to highlight that specifically within manufacturing economies, China markets finished materials to importing economies that do not benefit from AGOA, which has the added effect of depreciating AGOA material export values.¹⁹⁰ Likewise, foreign government, such as China will most likely prey on the economic advantages where they exist, or where the United States presents them.

¹⁸⁹ Ali Zafar, "The Growing Relationship between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links," *The World Bank Research Observer* 22, no. 1 (2007): 124.

¹⁹⁰ Zafar, "The Growing Relationship between China and Sub-Saharan Africa," 124.

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V. CONCLUSION

In 2014 oil price fluctuated, and damaged the Russian economy and challenged our eastern European allies' regional economic balance. Could the same result befall an economy built on steel, diamonds, and copper? Alternatively, could agricultural products become the key to freeing a Chinese military budget expansion? At the very least, understanding the African conflict nexus is paramount to U.S. defense planning on the continent. It is clear that that China's approach to capitalism in Africa does not consider the stability issues created by aggressive SOEs for weak regimes. In addition, Chinese foreign policy is reflected heavily in aid endowment programs, but are very closely tied to commercial investments. Therefore, China's non-interference policy ultimately serves to misinform U.S. international trade partners as much as it attracts transitioning regimes. This study suggests that China's model can affect U.S. policy in two major ways.

First, China's foreign policy is not reflected in the actions of its SOEs and non-governmental organizations (NGOs). Furthermore, simple price margin management cannot explain the extent that SOEs have accepted risk, and in many cases lost, in Africa. Zafar states that Chinese SOEs "acquired minority and majority stakes in foreign companies [and] are heavily subsidized, with low capital costs and low profitability margins."¹⁹¹ He illustrates that these deals are primarily for the purpose of establishing economic zones, and maintaining access.¹⁹² Additional evidence suggested that Chinese endowment programs directly link Chinese EXIM bank to host nation banks, raising the potential for currency manipulation that favors Chinese exports. At the host-nation level, this could increase long-term indebtedness, encourage natural resource bartering and promote a cruder economy. As this study has illustrated, asymmetric goods and service markets -at best- increase the probability of unemployment as well as social unrest. During global economic slowdowns, these characteristics improve the chances that a weak regime will provide political accommodation in return for aid. In this way, China has significantly weakened trade unions organized by the United States to assist with

¹⁹¹ Zafar, "The Growing Relationship between China and Sub-Saharan Africa," 124.

¹⁹² Zafar, "The Growing Relationship between China and Sub-Saharan Africa," 124–25.

African economic development and diplomatic closeness. Moreover, China uses these networks of business to lower its manufacturing costs and monopolize market sectors, while moving resources from resource-laden nations to labor-intensive manufacturing markets.

Second, China's investment approach inherently requires the support of the host nation and may affect our African partner's reliability on U.S. policy objectives. Chinese SOEs undermine U.S. governance efforts by creating a false image of host nation economic growth. Additionally, this study has highlighted that aid programs do not have dollar for dollar impacts. Coincidentally, the host nations where governance indicators improved actually experienced an increase in unemployment and civil unrest. Even if the effects of urbanization might explain this inverse relationship, good governance programs should be evaluated for potential asymmetric returns. This dichotomy suggests that a deterioration in local conditions may change the opinion of constituents where some individual autonomy exists. Statistical analysis has suggested a strong positive relationship between social unrest and Chinese FDI acceleration (see Table 5). This correlation further infers that where personal freedom is high, social stability will suffer until legitimacy issues are addressed within the host nation government. Currently, Chinese SOEs and aid incentive schemes do little to endear African transitional governments to their citizens. This is compounded by a perception of corruption, a problem with which many of our African partner governments struggle. David Brown concludes that while western nations have agreed to the 1990s OECD anti bribery conventions, China has not. While its government continues to operate this way at home, MOFCOM will continue to take advantage of weaker African governments.¹⁹³

This study has highlighted a significant gap in data regarding the state of our partners in Africa. The collection of this type of intelligence will require a different mindset, and dual-purpose missions. Rooted in over a decade of the Global War on Terrorism (GWOT) contingency operations, U.S. Special Operations Forces (SOF)

¹⁹³ David E. Brown, "Hidden Dragon, Crouching Lion: How China's Advance in Africa Is Underestimated and Africa's Potential Underappreciated," *Current Politics and Economics of Africa* 7, no. 4 (2014): 49.

doctrine has focused heavily on “hearts and minds” concepts to target the root causes of instability while applying a whole of government approach to the problem set. This is operationalized broadly, but for military planners, has focused heavily on Foreign Internal Defense programs. As illustrated in this article, the African security problem is not so straight forward, involving a diverse cast of domestic, foreign and corporate incursions into free market politics. Special Operations Command-Africa (SOCAF) should seriously consider the collaborative intelligence efforts that will be demanded to fully understand our strategic partnering portfolio while striving to enhance State department programs that are attempting do the same.

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APPENDIX A. ADDITIONAL FIGURES

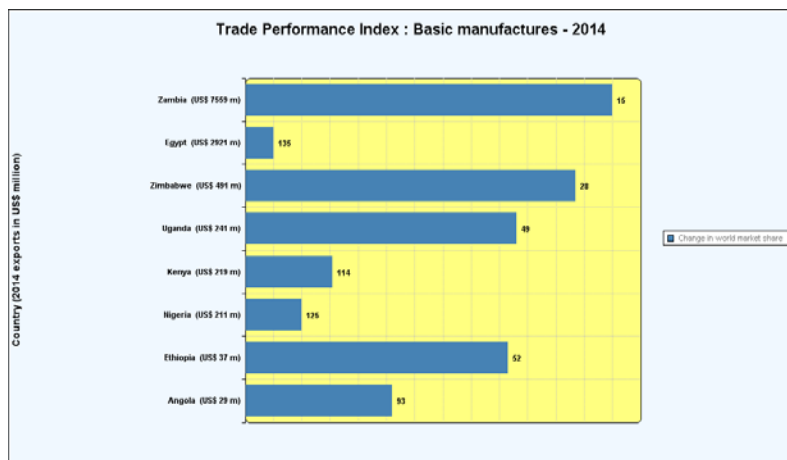


Figure 7. Trade Performance Index: Basic Manufacturing 2014¹⁹⁴

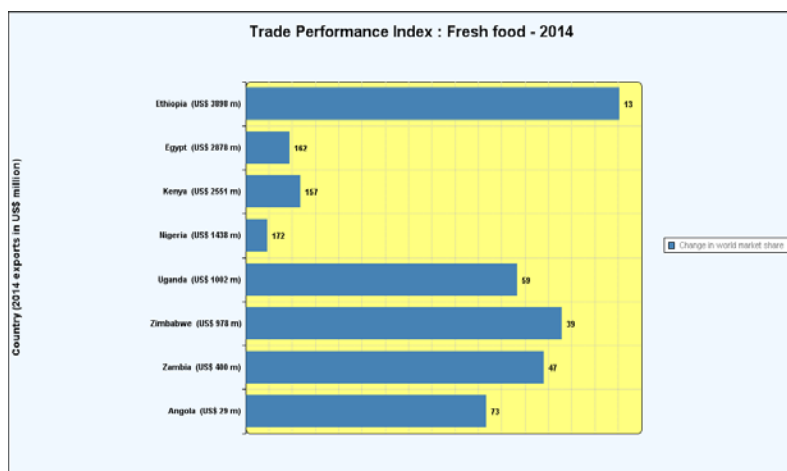


Figure 8. Trade Performance Index: Fresh Food 2014¹⁹⁵

¹⁹⁴ Adapted from “Trade Map,” International Trade Centre, www.intracen.org/marketanalysis.

¹⁹⁵ Adapted from “Trade Map.”

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APPENDIX B. TABLES

Table 1. African Unemployment Rates¹⁹⁶

	Dependent variable:			
	unemployment			
	(year 1)	(year 2)	(year 3)	(year 4)
polity	0.021 (0.065)	0.010 (0.065)	0.011 (0.066)	-0.003 (0.066)
Chinese Aid	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Chinese FDI	-0.000 (0.000)	-0.000 (0.000)	-0.000* (0.000)	-0.000 (0.000)
total_unrest	0.042*** (0.010)	0.033*** (0.009)	0.019** (0.008)	0.012 (0.009)
gov_effectiveness	0.049** (0.021)	0.055*** (0.021)	0.062*** (0.021)	0.058*** (0.021)
USAID	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)	-0.000*** (0.000)
gov_effectiveness:USAID	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)
Constant	9.272*** (0.723)	9.149*** (0.726)	9.036*** (0.734)	9.181*** (0.753)
Observations	481	480	479	477
Log Likelihood	-1,634.500	-1,634.100	-1,634.100	-1,629.000
Akaike Inf. Crit.	3,285.000	3,284.300	3,284.200	3,274.000
Note:	*p<0.1 **p<0.05 ***p<0.01			

African nations exhibit higher unemployment rates where government effectiveness is perceived as high. Though USAID clearly targets similar traits in host governments, it may not translate into increased economic growth or opportunity for citizens.

¹⁹⁶Adapted from “AidData.org”; Salehyan et al., “Social Conflict in Africa”; Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited”; “World Development Indicators, The World Bank”; “World Governance Indicators, The World Bank.”

Table 2. African Civil Unrest Factors, with Year Lag¹⁹⁷

	Dependent variable:			
	total_unrest			
	(year 1)	(year 2)	(year 3)	(year 4)
gdp	0.391*** (0.044)	0.399*** (0.053)	0.437*** (0.064)	0.512*** (0.076)
USAID	0.000*** (0.000)	0.000** (0.000)	0.000* (0.000)	0.000 (0.000)
China Aid	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)
anticorruption	-0.007** (0.004)	-0.011*** (0.004)	-0.015*** (0.005)	-0.023*** (0.006)
Polity (regime type)	0.113*** (0.023)	0.145*** (0.028)	0.127*** (0.033)	0.124*** (0.039)
Political stability	-0.042*** (0.004)	-0.036*** (0.004)	-0.026*** (0.005)	-0.011* (0.006)
Unemployment	0.046*** (0.008)	0.053*** (0.010)	0.049*** (0.012)	0.042*** (0.014)
anticorruption : polity	-0.002*** (0.001)	-0.003*** (0.001)	-0.003*** (0.001)	-0.003*** (0.001)
Constant	-5.892*** (1.061)	-6.991*** (1.266)	-8.415*** (1.543)	-9.848*** (1.824)
Observations	481	480	479	478
log likelihood	-1,398.200	-1,349.600	-1,291.500	-1,215.100
theta	0.769*** (0.060)	0.520*** (0.041)	0.339*** (0.027)	0.239*** (0.019)
Akaike Inf. Crit.	2,814.500	2,717.200	2,601.000	2,448.200

Unemployment and counter corruption efforts are among the most significant factors that affect violent onset in Africa. Notably, neither the U.S. nor Chinese aid significantly impact the potential for unrest.

¹⁹⁷ Adapted from “AidData.org”; Salehyan et al., “Social Conflict in Africa”; Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited”; “World Governance Indicators, The World Bank”; “World Development Indicators, The World Bank.”

Table 3. Chinese Aid and Market Competition¹⁹⁸

	Dependent variable:			
	total_aid_ent	dev_intent_ent	rep_intent_ent	mixed_intent_ent
	(year 1)	(year 2)	(year 3)	(year 4)
lgdp	0.116*** (0.044)	-0.053 (0.041)	0.467*** (0.122)	0.517*** (0.115)
int_cap	0.00004 (0.003)	-0.002 (0.003)	0.003 (0.008)	-0.002 (0.006)
market_comp	-0.022*** (0.005)	-0.021*** (0.004)	-0.038*** (0.011)	-0.023** (0.011)
total_unrest	-0.002* (0.001)	-0.001 (0.001)	-0.007 (0.005)	-0.007* (0.004)
anti_corrupt	-0.007** (0.003)	-0.004 (0.003)	0.002 (0.008)	-0.022*** (0.006)
int_cap:market_comp	0.0001*** (0.0001)	0.0001*** (0.00003)	0.0002 (0.0001)	0.0003** (0.0001)
Constant	-1.176 (1.130)	2.900*** (1.075)	-13.141*** (3.232)	-13.066*** (3.010)
Observations	414	393	393	414
Log Likelihood	-1,007.100	-908.100	-190.760	-267.690
theta	0.885*** (0.087)	1.191*** (0.132)	0.540** (0.214)	0.243*** (0.052)
Akaike Inf. Crit.	2,028.200	1,830.200	395.520	549.380
Note:	***p<0.01			

¹⁹⁸ Adapted from Salehyan et al., “Social Conflict in Africa”; Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited”; “World Development Indicators, The World Bank”; “World Governance Indicators, The World Bank.”

Table 4. Chinese Aid Endowment Criteria¹⁹⁹

	Dependent variable:			
	total_aid_cnt (year 1)	dev_intent_cnt (year 2)	rep_intent_cnt (year 3)	mixed_intent_cnt (year 4)
Merchandise_Import	-0.000*** (0.000)	-0.000*** (0.000)	0.000 (0.000)	-0.000* (0.000)
Merchandise_Export	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Import Goods and Service	0.013*** (0.003)	0.013*** (0.003)	0.026*** (0.006)	0.005 (0.009)
Export Goods and Service	-0.002 (0.005)	-0.010** (0.005)	-0.037** (0.016)	0.026** (0.012)
Merch_imp_Regional	0.012*** (0.004)	0.013*** (0.003)	0.018** (0.009)	0.019* (0.010)
Merch_Exp_Regional	0.004 (0.004)	0.002 (0.003)	0.011 (0.010)	-0.002 (0.011)
lgdp	0.377*** (0.098)	0.275*** (0.096)	0.561*** (0.183)	0.841*** (0.190)
Constant	-8.361*** (1.693)	-5.690*** (1.615)	-16.037*** (4.603)	-22.835*** (4.900)
Observations	411	390	390	411
Log Likelihood	-991.850	-882.590	-189.220	-266.530
theta	0.968*** (0.098)	1.442*** (0.172)	0.571** (0.232)	0.254*** (0.055)
Akaike Inf. Crit.	1,999.700	1,781.200	394.440	349.060
Note:	*p<0.1 **p<0.05 ***p<0.01			

¹⁹⁹ Adapted from Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited”; “Trade Map”; “Market Access Map,” International Trade Centre, www.intracen.org/marketanalysis.

Table 5. Chinese FDI Criteria, with Year Lag²⁰⁰

	Dependent variable:			
	Chinese fdi amount			
	(year 1)	(year 2)	(year 3)	(year 4)
lgdp	135,557,123.000*** (24,689,530.000)	143,246,032.000*** (26,439,209.000)	37,433,481.000 (35,174,667.000)	80,027,873.000*** (22,643,984.000)
anticorruption	-1,881,559.000 (1,630,250.000)	-1,424,112.000 (1,740,679.000)	-1,679,532.000 (2,294,098.000)	-1,352,702.000 (1,473,758.000)
Total unrest	4,513,018.000*** (932,483.000)	4,556,243.000*** (995,810.000)	4,890,049.000*** (1,296,190.000)	6,075,005.000*** (840,616.000)
USAID	0.095 (0.076)	0.091 (0.082)	0.142 (0.108)	0.017 (0.072)
Chinese Aid	0.180** (0.077)	0.114 (0.082)	0.256** (0.109)	0.409*** (0.070)
Constant	-2,986,584,160.000*** (585,240,389.000)	-3,144,317,025.000*** (627,354,046.000)	-524,494,727.000 (834,722,319.000)	-1,721,675,091.000*** (537,851,734.000)
Observations	527	525	523	521
Log Likelihood	-11,554.000	-11,545.000	-11,646.000	-11,372.000
Akaike Inf. Crit.	23,119.000	23,102.000	23,304.000	22,756.000
Note:	*p**p***p<0.01			

²⁰⁰ Adapted from “AidData.org”; Salehyan et al., “Social Conflict in Africa”; Strange et al., “Tracking Underreported Financial Flows China’s Development Finance and the Aid-Conflict Nexus Revisited”; “World Development Indicators, The World Bank”; “World Governance Indicators, The World Bank.”

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